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FOREIGN MINISTRY SPOKESMAN HOLDS WEEKLY BRIEFING

Sino-Soviet Meeting

LD151222 Beijing XINHUA in English 0916 GMT 15 Jan 86

["No Date Yet for Sino-Soviet Foreign Ministers' Meetings" -- XINHUA headline]

[Text] Beijing, January 15 (XINHUA) -- A Foreign Ministry spokesman said here today that the dates for the exchange of visits between the foreign ministers of China and the Soviet Union have not yet been decided.

At the weekly news briefing, the spokesman said that the Soviet Union had proposed that the two countries sign a mutual nonaggression treaty, commenting, "The so-called mutual nonaggression treaty is a proposal that has been put forward by the Soviet side for many years and been categorically rejected by the Chinese side."

He added: "We have time and again reiterated that the removal of the three obstacles is the only way to normalize Sino-Soviet relations because it not only has a bearing on China's security but also on the upholding of international justice."

Afghan Guerrilla Training

OW151000 Beijing XINHUA in English 0954 GMT 15 Jan 86

[Text] Beijing, January 15 (XINHUA) -- China has refuted the accusations made by the Soviet and Karmal authorities that it is training and arming the Afghan guerrillas.

"While stepping up their military suppression of the Afghan national resistance forces, the Soviet and Karmal authorities have made false charges against China," said a Foreign Ministry spokesman at the weekly news briefing here today in his reply to questions on China's response to the accusations in the white paper recently released by the Karmal regime of Afghanistan.

"This is their habitual deception which has been seen through by all the people," he added.

Yang Zhong to Sierra Leone

OW151052 Beijing XINHUA in English 0953 GMT 15 Jan 86

[Text] Beijing, January 15 (XINHUA) -- Representative of the Chinese Government and Minister of Forestry Yang Zhong will fly to Sierra Leone to attend the inauguration ceremony of President J.S. Momoh January 26, a Foreign Ministry spokesman announced at a news briefing here this afternoon.

SHEVARDNADZE CARRIES GORBACHEV MESSAGE TO JAPAN

OW150158 Beijing XINHUA in English 0144 GMT 15 Jan 86

[Text] Moscow, January 14 (XINHUA) -- Soviet Foreign Minister Eduard A. Shevardnadze said today he was carrying an "important message" from Kremlin leader Mikhail Gorbachev to be delivered to Japanese Prime Minister Yasuhiro Nakasone.

He made the disclosure in a brief interview with Japanese reporters at Moscow airport upon his departure for Tokyo on a five-day visit, the first made by a Soviet foreign minister in a decade. He declined to elaborate on the content of the message.

He also said in the interview that he was expected to have talks with his Japanese counterpart Shintaro Abe and Nakasone, which he hoped would lead to the establishment of good-neighborliness and friendly cooperation between the two countries.

Shevardnadze Arrives

OW150956 Beijing XINHUA in English 0941 GMT 15 Jan 86

[Text] Tokyo, January 15 (XINHUA) -- Eduard Shevardnadze, the first Soviet foreign minister to visit Japan since 1976, arrived here today amid tight security.

In an arrival statement, Shevardnadze said he came to Tokyo with strong hopes for the two countries to move a step toward good neighborly relations, adding that he shared the view expressed by Japanese Prime Minister Yasuhiro Nakasone recently that "Japan and the Soviet Union are neighbors and they continue to be so as long as the earth exists."

During his five-day visit, the Soviet foreign minister is scheduled to hold three rounds of talks with his Japanese counterpart Shintaro Abe and a private meeting with Prime Minister Yasuhiro Nakasone. Shevardnadze and Abe will sign on Saturday afternoon agreements on trade repayment and avoidance of double taxation, which the two countries initialed last July.

Japanese Government sources expressed doubts as to whether a joint statement would be issued at the end of the visit since the two sides still remain wide apart on some major bilateral and international issues. The toughest nut for the two sides to crack is the northern territorial problem, which involves some Soviet-occupied islands off Japan's Hokkaido.

Japanese police today temporarily cordoned off general traffic to and from the Haneda Airport where Shevardnadze arrived with his wife, Deputy Foreign Minister Mikhail Kapitsa and other delegates. It was reported that 26,000 policemen would be put on alert during the visit.

PRC ATTENDS INTELLECTUAL PROPERTY COURSE

OW131634 Beijing XINHUA in English 1540 GMT 13 Jan 86

[Text] Colombo, January 13 (XINHUA) — An intellectual property training course for developing countries in Asia and the Pacific was inaugurated here today to popularize common knowledge on patents and trade marks in developing countries.

Attending the opening ceremony were Lalith Athulathmudali, minister of national security of Sri Lanka, Dr. Arpad Bogsch, director general of the World Intellectual Property Organization.

The three-week training course will cover the basic concepts of intellectual property law and practice related to patents, trade marks, industrial designs and utility models, the use of technological information contained in patent documents, the negotiation of industrial property licenses and technology transfer agreement, and the promotion of indigenous inventiveness.

This is the first time that such a training course was held in Colombo since 1984. The two previous training programs were held in industrialized countries. The course will be attended by 35 trainees from China and 18 other countries.

YAO YILIN BRIEFS U.S. SENATOR, DELEGATION

OW131542 Beijing XINHUA in English 1432 GMT 13 Jan 86

[Text] Beijing, January 13 (XINHUA) -- Chinese Vice-Premier Yao Yilin met with U.S. Senator Phil Gramm and his party here this evening at the Great Hall of the People. Yao briefed the visitors on China's economic reform and answered questions raised by them.

Gramm and his party arrived in Beijing yesterday as guests of the Chinese People's Institute of Foreign Affairs.

U.S. WRITER PRAISES PRC AGRICULTURAL SUCCESS

OW140836 Beijing XINHUA in English 0722 GMT 14 Jan 86

[Text] New York, January 13, 1986 (XINHUA) -- U.S. writer Richard Critchfield calls China's agricultural success as "the real agricultural miracle."

After his recent China visit, he writes, "For any country to boost grain production by 92 million tons in just five years is momentous."

Critchfield's article, entitled "China's Agricultural Success Story", was carried in today's WALL STREET JOURNAL. The article says, China, after its astonishing 1984 grain harvest of 407 metric million tons, up from 315 million tons in 1979, has limited guaranteed prices to about 40 per cent of what its family-sized farms produce. Even so, last year's grain harvest is expected to be about 380 million tons. Wheat production alone more than doubled between 1979 and 1984, from 41 million to 87 million tons.

"The Chinese, who have 285 million acres planted in grain, grow more than twice as much as the Soviets on 300 million acres."

Critchfield pointed out that part of the Chinese success is due to its "responsibility system" introduced in 1981. Incentive prices had been offered to farmers for all above-quota grain surpluses and cash crops after 1979.

"Science is the other part of China's agricultural miracle. Much of the 1981-1984 grain boom is due to hybrid rice, which increases average yields about 30 per cent and is now planted on about half the country's rice land. China's per-hectare rice yields and wheat yields are higher than U.S. yields, thanks to scientifically bred seeds, water (half of China's farmland is irrigated), and organic fertilizer.

"The 1981-84 boom proves that given wise politics and scientific farming, China not only can feed itself, but can also emerge as a major challenger to the U.S. on the world grain market.

"It looks like Chinese farmers are shifting away from grain production because it's more profitable to grow other crops. Crop diversification and shifts from grain to more meat, milk and eggs are expected. A small step toward expanded animal husbandry came when 8,000 dairy cows were recently flown in," the article says.

It pointed out that China's "future farming miracles also depend on how fast China can expand such essentials as scientific training, credit, transport, literacy and electric power."

RED CROSS PRESIDENT FETES DELEGATION FROM DPRK

OW141522 Beijing XINHUA in English 1450 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA) -- Cui Yueli, president of the Red Cross Society of China, gave a reception here tonight for a delegation from the Red Cross Society of the Democratic People's Republic of Korea.

The 4-member Korean delegation, headed by Son Song-pil, president of the Korean Red Cross Society, arrived here this morning.

DPRK PAPER URGES INTERNATIONAL ANTIWAR UNITY

OW101310 Beijing XINHUA in English 0930 GMT 10 Jan 86

[Text] Pyongyang, January 10 (XINHUA) -- The Democratic People's Republic of Korea pledged today it will close their ranks with socialist countries, nonaligned states and all peace-loving forces of the world in an effort to make resolute struggle against war.

An editorial published by the official newspaper NODONG SINMUN says that despite international tensions and great danger of a nuclear war, but war is not unavoidable". [as received] The maintenance of world peace and security depends on the joint struggle by all peace-loving forces against the imperialist policy of invasion and war. The editorial calls for the establishment of nuclear free zones and peaceful regions in various parts of the world and the expansion of them. Korea, says the editorial, hopes that the outcome of the Soviet-American Geneva summit meeting will "play an active role" in preventing a nuclear war. To maintain peace on the Korean peninsula, which is closely related to international peace and security, demands an immediate pullout of American nuclear weapons and troops from South Korea so as to turn the Korean peninsula into a nuclear free zone and peaceful region, the editorial stresses.

JAPAN TO EXTEND LOAN FOR OIL DEVELOPMENT

OW140944 Beijing XINHUA in English 0911 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA) -- Japan will loan China 35.765 billion Japanese yen (about 170 million U.S. dollars) this year for joint oil development projects in the Bohai Sea, off the north China coast.

According to agreements signed here today by representatives of the Export-Import Bank of Japan and the Bank of China, 40 percent of the loan will be due in nine years and the rest in 11 years. The interest rate was not disclosed.

THAI FOREIGN MINISTER ON POSSIBLE SRV INVASION

OW141126 Beijing XINHUA in English 1104 GMT 14 Jan 86

[Text] Bangkok, January 14 (XINHUA) -- Thai Foreign Minister Sitthi Sawetsila stated here today that so long as the war in Kampuchea does not cease, there is a possibility that the Vietnamese troops would invade Thailand. He added that Thailand reserves the right to counterattack in defense of her sovereignty and territorial integrity.

Sitthi made these remarks while meeting the visiting XINHUA delegation headed by Feng Jian, deputy director-general of XINHUA NEWS AGENCY of China. The delegation arrived here on January 10 for an official visit to Thailand at the invitation of Speaker of the House of Representatives Uthai Pimchaichon.

When asked by the XINHUA delegation how to assess the military situation in Kampuchea, Sitthi pointed out that Vietnamese troops suffered a lot, whereas the loss of Kampuchean resistance forces was minimal in the last Vietnamese dry-season offensive. He said that the resistance forces of the tripartite Coalition Government of Democratic Kampuchea are growing in strength and have penetrated deeper into the interior. It is out of the question for the Vietnamese to seal off the Thai-Kampuchean border, he added.

Moreover, he added, although Vietnamese troops mobilized helicopters and other heavy weapons in an attempt to annihilate the patriotic resistance forces operating inside Kampuchea, it could only harden the will of the resistance to carry on the anti-Vietnamese struggle to the end.

Referring to the declaration by Hanoi that Vietnamese troops will be completely withdrawn from Kampuchea by 1990, the Thai foreign minister said: "I don't believe in such propaganda. As a matter of fact, the Vietnamese would withdraw their troops only when the Kampuchean resistance forces are destroyed and Heng Samrin regime is further consolidated. But they could not achieve their aim. They could not change their policy of aggression against Kampuchea." "By the year 1990," he said, "Vietnamese troops may put on the uniform of Heng Samrin troops."

"Only if Vietnam renounces its policy of expansion and aggression and the Soviet Union stops military and financial aid to Vietnam, can the Kampuchean problem be solved," said Sitthi.

On the relationship between China and Thailand, Sitthi said that he was quite pleased to see the progress in the past ten years. The relationship between the two countries was based on sincerity, mutual trust and respect, he added. He expressed confidence that the mutual ties would be further promoted in the next decade.

CGDK'S SIHANOUK LEAVES BEIJING FOR GUANGZHOU

OW150748 Beijing XINHUA in English 0656 GMT 15 Jan 86

[Text] Beijing, January 15 (XINHUA) -- Samdech Norodom Sihanouk, president of Democratic Kampuchea, and his wife left Beijing this morning for a goodwill visit to Guangdong Province.

Seeing them off at the airport was Zhou Gucheng, vice-chairman of the Standing Committee of the National People's Congress.

Accompanying Sihanouk and his wife on their visit to Guangdong are Vice-Minister of Foreign Affairs Liu Shuqing and Democratic Kampuchean Ambassador to China Chan Youran and their wives.

CHEMICAL INDUSTRY MINISTER LEAVES FOR BANGLADESH

OW141252 Beijing XINHUA in English 1238 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA) -- a Chinese Government delegation led by Qin Zhongda, minister of chemical industry, left here today for Dhaka, Bangladesh.

The delegation, invited by the Bangladesh Government, will attend the second session of the China-Bangladesh Joint Commission on Economic, Trade, Scientific and Technical Cooperation as well as the inauguration of the Polash urea fertilizer factory, which was built with Chinese help.

PRC, SRI LANKA COOPERATE IN REMOTE SENSING STUDY

OW140832 Beijing XINHUA in English 0712 GMT 14 Jan 86

[Text] Colombo, January 13 (XINHUA) -- Sri Lankan Minister of Industries and Scientific Affairs Denzil Fernando today received Chinese scientists who are here to take part in the pilot study on application of remote sensing technology to geologic and coastal research.

The project was jointly undertaken by the Geological Survey Department of Sri Lanka and the East China Normal University.

The minister showed great interest in the pilot study. He said that it is of great significance to the Colombo construction and exploitation of natural resources along the western coast of the island country.

The program proposed by Chinese and Sri Lankan officials and financed by the economic and social Commission of Asia and the Pacific (ESCAP) is to apply remote sensing technology to the survey of marine resources and sea erosion and protection along the western coast of Sri Laka.

The first two phases of the program had been completed in China in the first half of 1985. The rest of the work is being done in Sri Lanka.

This program has been conducted under an agreement reached at a seminar of geologic remote sensing sponsored by ESCAP in Beijing in 1984 in the context of improving regional self-reliance and South-South cooperation.

The Chinese scientists arrived in Colombo last Saturday.

PDRY COUP ATTEMPT FAILS; PRESIDENT WOUNDED

OW141248 Beijing XINHUA in English 1234 GMT 14 Jan 86

[Text] Cairo, January 14 (XINHUA) -- The international airport in Aden, capital of Democratic Yemen, has been closed since Monday when the state-run Radio Aden announced a coup was foiled, according to Cairo airport sources.

Fierce battles were raging in the streets of Aden between the government troops and the rebels. According to diplomatic sources, the government forces were controlling the Aden airport, while battles in which heavy artillery and machine guns were used were in progress in some districts of the capital.

Premier Haydar Abu Bakr al-Attas of Democratic Yemen who is visiting India will stay there instead of proceeding to visit China, pending instructions from his government, according to a report from New Delhi.

A report from Djibouti said that President 'Ali Nasir Muhammad of Democratic Yemen was injured during the coup attempt.

The GULF NEWS AGENCY earlier reported that the president escaped an assassination attempt and the conspirators including First Deputy Premier 'Ali Ahmed Nasir Antar and former President 'Abd al-Fatah Ismail have been executed.

VICE PRESIDENT ULANHU MEETS SUDANESE DELEGATION

OW141054 Beijing XINHUA in English 1036 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA) -- Vice-President Ulanhu said at a meeting with a high-ranking Sudanese delegation here today that China attaches importance to its relations with the Sudan and is willing to continue to enhance bilateral relations in all fields.

He extended a welcome to the delegation which is visiting China at a time when the Sudan is celebrating its 30th independence anniversary. He also congratulated the Sudanese people on the achievements they had scored over the past three decades.

The delegation is led by Lieut. General Muhammad Tawfiq Khalil, member of the Transitional Military Council and chief of staff of the Armed Forces. He said his was the first high-ranking delegation to China after the Transitional Military Council was established in the Sudan last April.

Noting that Sudan-China friendship has a sound basis, he said that the Sudan was ready to strengthen cooperation with China in international affairs and other fields. Khalil forwarded to Ulanhu a letter for Chinese President Li Xiannian from the Sudanese Transitional Military Council chairman al-Dhahab. Ulanhu asked Khalil to convey good wishes of Li Xiannian and himself to Chairman al-Dhahab.

He Qizong, deputy chief of General Staff of the Chinese People's Liberation Army, was present on the occasion.

CIRCULAR ORDERS CRACKDOWN ON ECONOMIC CRIME

OW141924 Beijing XINHUA Domestic Service in Chinese 1135 GMT 14 Jan 86

[Text] Beijing, 14 Jan (XINHUA) — The Discipline Inspection Commission and the Commission for Political Affairs and Law under the CPC Central Committee have jointly issued a circular saying that, in accordance with the law, all localities must strike heavily at activities of serious speculation and fraud. The full text of the circular reads as follow:

In recent years, major economic speculation and fraud cases have frequently occurred in various localities. Their seriousness and vileness, as well as the enormous amount of money involved, are shocking! A typical example is Huang Kuiyuan's speculation and fraud -- a case that has been cracked by the Shanghai Municipal Public Security Bureau. We now transmit the report, compiled by the Ministry of Public Security, on how Huang Kuiyuan entered the country with a phony passport and swindled more than 1 million yuan within 6 months. It is hoped that party committees at all levels will attach adequate attention to the case, fully understand how economic crimes have seriously endangered the building of socialist material and spiritual civilizations, and adopt effective measures to firmly stop the impotence in rebuffing crimes.

A conspicuous phenomenon of the economic crimes today is the increasing number of major speculation and fraud cases and the rampancy of certain speculators and swindlers, who think they have strong backing. Within 6 months, Liu Haoran, a speculator and swindler tracked down in Guangdong, swindled more than 19.7 million yuan in down payments by signing more than 100 "joint operation agreements" and "purchasing and marketing contracts" with more than 10 provinces, municipalities, and regions, involving nearly 8 billion yuan. Again within 6 months, swindler Du Guozhen, tracked down in Fujian, bribed some 20 cadres in the financial, economic, communications, customs, and judicial departments and signed more than 70 "contracts" with Fujian and other regions involving more than 240 million yuan. He also smuggled out of the country $108,000 in U.S. currency and $619,000 in Hong Kong currency, which he purchased on the black market. The crimes of these speculators and swindlers have not only disturbed the restructuring of the economic system and caused the state and collectives enormous economic losses, but they have also corrupted some party members and cadres and seriously jeopardized our country's socialist modernization.

As learned from the cases of speculation and fraud that have been tracked down, the speculators and swindlers have made it a practice to operate under the banner of opening to the outside world and enlivening the economy, and they carry out their speculation, fraud, and other illegal activities, trying by all possible means to take advantage of the loopholes in our reforms and legitimate economic means, such as signing purchasing and marketing contracts. As a matter of fact, the way they speculated and swindled was not clever, and their deceptive stunts were full of flaws, so much so that people with a modicum of vigilance and common sense can easily see through them. However, certain enterprises and institutions and even some party and government organs, have been repeatedly swindled. Some cadres and the children of some cadres have also become the "chips" of the speculation and swindling activities, or the "good luck charm" of the speculators and swindlers. This should serve as an extremely profound lesson.

The principal causes of this situation are: First, some cadres are doing their work with a seriously irresponsible bureaucratic attitude. Under today's new situation of opening to the outside world and enlivening the economy, some cadres, including some leading cadres, have indeed failed to correctly understand the central authorities' policy of firmly combating economic crimes while opening to the outside world and enlivening the domestic economy, thus ignoring socialist ethics and lowering their guard against the bad capitalist practice of cheating people.

Moreover, because of improper guidance for operation, they will engage in anything, including speculation and departing far from the socialist course, in order to make money. Furthermore, because they pay no attention to the political consciousness of the people they use, nor educate them, nor supervise their work, they have created an opportunity for those people who put money above all else. Moreover, because they do not investigate or study a problem after it has arisen and due to their highly irresponsible attitude toward the property of the state and the people, they have become vulnerable to lies and deception.

The second cause is ignorance. Because they have ignored stepping up learning the professional knowledge needed under the new situation, they lack professional knowledge as well as common knowledge of the laws on internal and external trade. Consequently, they cannot tell the true from the false, and they operate without rules or regulations. Third, they have blind faith in the "god of wealth." Whenever they find out somebody has an "enormous amount of money," who is the "shareholder and manger of a certain corporation of a certain country," and who is "a friend of certain wealthy businessman," and who is "the son of a cadre with relatives in Hong Kong and Taiwan;" and whenever they learn of somebody who "has a financial channel," who will "invest," provide "free assistance" and "foreign goods or popular commodities in short supply" and the like, they regard such people as guests of honor, call them brothers, and even spend large sums to establish relations with them, hoping that they would "invest," or "reciprocate with gifts." Fourth, they have forgotten what is right and have disregarded party discipline and state laws upon seeing benefits. Corrupted by capitalist ideas and hit by the "sugar-coated bullet," some cadres, including leading cadres, have been bedazzled by lust for gain, and their eyes widen when they see money. Furthermore, having forgotten the principles, they do everything possible, including abusing their authority, to seek personal gains and begin to solicit and accept bribes, disregarding national dignity and their integrity, and they eventually become accomplices of the speculators and swindlers.

To promptly reverse this serious situation, we set forth the following requirements:

1. Party committees and government and judicial departments at all levels must attach great attention to economic speculation and fraud. By dissecting sample cases and analyzing the crimes committed by the speculators and swindlers, they should earnestly sum up the experiences and learn the lessons, study the characteristics and laws of the economic crimes committed under the new situation, especially why such cases of speculation and fraud have occurred repeatedly, and work out counter and preventive measures to firmly deter the recurrence of speculation and fraud.

2. Party organizations at all levels must intensify educating party members, cadres, and other personnel on lofty ideals and on a sense of discipline and law. In handling any economic work, they must strictly abide by state laws and regulations, and they must do their work strictly in accordance with the general and specific policies set forth by the central authorities. They must intensify the study of economic affairs so as to avoid blindness in action, heighten political alertness, and guard against being cheated. Typical cases, whose facts have been verified, and which have been handled, should be publicized openly and circulated internally so as to create a big momentum to frighten criminals and educate party members, cadres, and working staff, heighten their political consciousness, and enhance their capacity for resisting the inroads of decadent capitalist ideas.

3. As soon as any speculation and fraud has been discovered, party committees, discipline inspection commissions, and judicial departments at all levels must get hold of them and track them down to the end. No matter who is involved, they must be thoroughly investigated. Major speculators and swindlers must be harshly punished according to the law.

4. The leaders whose units have suffered economic losses due to fraud must have their responsibilities investigated. Others who are involved should also be dealt with according to the actual situation of their cases, and they should not be allowed to profit economically. Those who have solicited or accepted bribes, who have supported or participated in speculation and fraud, or who have seriously neglected their duties and have offended the law must have their criminal responsibilities investigated according to the law.

All regions and departments should report how the requirements set forth in this circular have been implemented to the Central Commission for Discipline Inspection and the Central Commission for Political Affairs and Law at any time.

[Issued by] Central Commission for Discipline Inspection Central Commission for Political Affairs and Law

[Dated] 18 December 1985

CHILDREN OF LEADERS IMPLICATED IN FRAUD CASE

HK151046 Hong Kong AFP in English 1032 GMT 15 Jan 86

[Text] Beijing, Jan 15 (AFP) -- Children of Chinese leaders provided protection to a Taiwan man who duped government enterprises into signing contracts in which he promised eight billion dollars worth of bogus imports, a Chinese newspaper said today.

Huang Kuiyuan, a Taiwan man who entered China in October 1984 on a false passport with a mere 900 Hong Kong dollars (115 dollars), used the protection of "a few children of leading cadres" in the swindle, the Shanghai WEN HUI BAO said.

Li Xuying, a cadre of an unspecified bureau in Beijing, assisted Huang in his business dealings but later said in a confession that Huang had unfairly taken advantage of him, the report said.

Huang operated by introducing himself as a financier with a big foreign firm with 1.6 billion dollars in capital.

He signed deals promising to supply enterprises in nine provinces and municipalities with more than eight billion dollars worth of advanced technology, vehicles and raw materials, the paper said.

In one such fraud, Huang told the Beijing Hotel's Chinese Food Science Development Corp. that he would supply 10 million U.S. dollars free of charge to set up a food science academy, the report said.

The corporation treated him as a guest, spending 27,000 yuan (8,430 dollars) feteing him and supplying him with room and board. Huang in addition "borrowed" 12,000 yuan (about 4,000 dollars) from the corporation, the report said.

The WEN HUI BAO did not identify the leading cadres children and Western diplomats said they thought it unlikely the scandal would spread as far as the families of central government leaders.

Huang's case was one of several examples cited in a circular released yesterday from the Central Discipline Inspection Commission and the Central Commission of Political Affairs and Law, that said leaders of enterprises fooled by criminals should be held responsible for losses.

According to the circular, published in the PEOPLE'S DAILY today, Huang and a Shanghai accomplice, acting with the aid of a factory chief in Shanghai's outskirts, made off with 1.15 million yuan (359,000 dollars) in a bogus car deal with an enterprise in coastal Fujian Province.

The circular had given examples of "shocking" cases in which swindlers and illegal speculators had tricked people by using the slogans "opening to the outside world," "reform," and "invigorating the economy."

In another two cases in Fujian and southern Guangdong Province false deals worth eight billion yuan (2.5 billion dollars) and 240 million (104 million dollars) were signed, the circular said. In the Guangdong case a swindler pocketed 19.7 million yuan (6.15 million dollars), it added.

A Hong Kong China-watching magazine reported last week that conservative Marxist economist Chen Yun, chairman of the Discipline Inspection Commission, had written to Chinese Premier Zhao Ziyang and Communist Party chief Hu Yaobang complaining that their sons made use of the leading reformers' status to push through business deals.

Western diplomats said it was difficult to know if the report was correct but added that they thought it unlikely that anti-corruption campaign would hit hard at reformers' offspring.

FURTHER ON 14TH SESSION OF 6TH NPC STANDING COMMITTEE

New Ministry Proposed

OW141343 Beijing XINHUA Domestic Service in Chinese 1256 GMT 13 Jan 86

[Text] Beijing, 13 Jan (XINHUA) -- The State Council today submitted to the 14th Session of the 6th NPC Standing Committee a proposal requesting that the Ministry of Radio and Television be renamed the Ministry of Radio, Cinema, and Television. Entrusted by the State Council, State Councillor Zhang Jingfu explained the proposal. He said: Judging from a long-term point of view, to place the television and film industries under a unified leadership will help the two industries cooperate with each other, learn from other's strong points to offset one's weaknesses, take advantage of their own superior features, and achieve common prosperity and development; and is conducive to building socialist spiritual civilization and to satisfying the people's daily increasing needs in cultural life.

He said: The relationship between the film industry and the television industry is very close. Both are important parts of the people's cultural life, and both are important positions for building socialist spiritual civilization. Since the founding of the People's Republic, China has made great achievements and great developments in both the film industry and the radio and television industry. However, the two industries are still far from meeting the poeple's daily increasing needs in cultural life and the needs of building socialist spiritual civilization.

He said: Of China's film industry and television industry, each has its own strong points. The film industry has a long history, rich experience, and a strong technical force, but it takes a long time and a great deal of money to make a film. Since the rise of the television industry, the film industry has been losing a number of moviegoers day by day. The television industry has achieved a rapid development and is enjoying a large number of viewers but its contingent for making television dramas, cartoons, and science and education films is not as strong as that of the film industry.

Zhang Jingfu said: At present, the film industry and the television industry are under two different ministries, causing some manpower and material wastes and some lack of coordination in planning, production, televising, coproduction with foreign countries, and import of films and television programs. Some problems exist in the film industry and in the television industry today, such as the problem of correctly handling the relationship between social benefit and economic benefit and the quality problem. The proposed leadership change will help solve these problems. For this reason, the State Council is requesting the NPC Standing Committee to approve that the film industry be transferred from the Ministry of Culture to the Ministry of Radio and Television, and the Ministry of Radio and Television be renamed the Ministry of Radio, Cinema, and Television. During the process of transfer, the film industry should firmly strengthen its leadership and take proper steps to prevent the transfer from obstructing regular work and to strive to create a new situation. After the transfer, the Ministry of Radio, Cinema, and Television will have a heavier responsibility. It must strengthen its leadership, respect the different characteristics of radio, film and television industries, and make them play a greater positive role in building material and spiritual civilizations.

Plenary Session Held

OW141417 Beijing XINHUA Domestic Service in Chinese 1220 GMT 13 Jan 86

[Excerpts] Beijing, 13 Jan (XINHUA) -- The 14th Session of the 6th NPC Standing Committee held a plenary session this afternoon in the Great Hall of the People to hear explanations of several draft laws and relevant reports.

Zhao Ziyang, premier of the State Council, submitted a resolution requesting the NPC Standing Committee to examine and discuss a draft PRC law on enterprises run by foreign capital. The resolution stated that, in order to expand international economic cooperation and technological exchange, promote the running of enterprises in our country by foreign investors, and protect their interests, a draft PRC law on enterprises run by foreign capital was prepared after investigations, study, repeated discussions, and revisions. The draft was discussed and adopted at a routine meeting of the State Council, and it is now being submitted for examination and discussion. At today's session, Zheng Tuobin, minister of foreign economic relations and trade, entrusted by the State Council, gave an explanation of the draft law.

In order to develop basic education, enhance the scientific and cultural qualities of the entire nation, and promote the socialist material and spiritual civilizations, the State Education Commission prepared a draft PRC law on compulsory education in light of our country's practical situation after carrying out repeated investigations and study and summing up historic lessons. The draft was discussed and adopted by the State Council. Zhao Ziyang, premier of the State Council, submitted a resolution requesting the NPC Standing Committee to examine and discuss the draft law. Entrusted by the State Council, He Dongchang, vice minister of the State Education Commission, gave an explanation of he draft law.

Zheng Tianxiang, president of the Supreme People's Court, and Yang Yichen, procurator general of the Supreme People's Procuratorate, delivered reports respectively at the session on several questions about dealing blows to serious economic criminal activities and about the situation of procuratorial organizations' work of dealing blows to serious economic crimes.

Zheng Tianxiang said that from January to November 1985 the people's courts at all levels in the country had tried 42,365 cases of corruption, bribery, smuggling, speculation, defrauding and embezzling public property, and other economic crimes, and that the courts had sentenced 54,836 culprits.

He pointed out that, in order to further strengthen the struggle to punish serious economic crimes, it is necessary to solve the question of "substituting fines for imprisonment" in a rational way; to investigate not only the responsibilities of those who give bribes but also of those who take bribes; to make it imperative to deal severe blows to speculative and fraudulent activities; to make it mandatory to investigate the responsibilities of those who are negligent at their posts; and to make it mandatory to seriously investigate those party, government, and Army organizations; socia. bodies; collective economic organizations; and enterprises and institutions that commit criminal activities.

Yang Yichen said: In the past year, procuratorial organizations at all levels in the country further strengthened their procuratorial work in dealing with economic criminal activities and have made new progress and marked achievements in the struggle to punish economic crimes. They have reversed the situation in which "wait-and-see" and "unable-to-handle" attitudes, hesitation, or lack of measures, were ways to deal with serious economic crimes, thus bringing about a favorable trend to solve major and important cases and gradually bringing about an advantageous situation. Procuratorial organizations had 26,772 economic criminal cases for investigations, including 5,937 major and important cases; had decided to arrest 14,229 economic criminals; and had indicted 12,711 persons. As a result of the handling of these cases, more than 240 million yuan worth of economic losses were reclaimed for the state. He said that our country's political and economic situations at present are fine, and, if we grasp the current favorable opportunity, we will certainly be able to put down the flagrant situation of economic crimes.

The session was presided over by Vice Chairman Peng Chong. Attending the session were Vice Chairmen Chen Pixian, Geng Biao, Baimqen Erdini Quogyi Gyiancain, Seypidin, Zhou Gucheng, Yan Jici, Ye Fei, and Liao Hansheng.

LEADERS DISCUSS ISSUES AT ECONOMIC CONFERENCE

Lu Dong on Reform

OW131808 Beijing XINHUA Domestic Service in Chinese 1345 GMT 11 Jan 86

[By XINHUA reporter Huang Fengchu and RENMIN RIBAO reporter Zhang Heping]

[Text] Beijing, 11 Jan (XINHUA) -- China's economic work during the period of the Seventh 5-Year Plan is to carry out reforms thoroughly, strengthen management, advance along the path to higher economic benefits, and blaze a trail of socialist economic management with Chinese characteristics. This was announced at a national economic conference, which opened in Beijing today.

Leading comrades of the CPC Central Committee and State Council, including Tian Jiyun, Yao Yilin, Chen Muhua, Zhang Jingfu, and Song Ping attended today's meeting.

Lu Dong, minister in charge of the State Economic Commission, gave a report titled "Carry Out Reforms Thoroughly, Strengthen Management, and Advance Along the Path to Higher Economic Benefits."

In his report, Lu Dong reviewed China's economic work during the period of the Sixth 5-Year Plan. He said: Under the guidance of the policy of readjustment, restructure, reorganization, and upgrading, and the policy of enlivening the national economy and opening to the outside world, China's economy has taken a new path of development with realistic speed, better economic results, and more tangible benefits for the people.

After summarizing the experience of organizing economic work in the period of the Sixth 5-Year Plan, Lu Dong focused on the question of economic development and strengthening enterprise management during the Seventh 5-Year Plan. He said: The period of the Seventh 5-Year Plan is critical to China's economic revitalization. In these 5 years, we should create a favorable environment for reforms, provide the strength for future development, and, at the same time, improve the people's livelihood as our production develops. This creates many contradicitions for us. The key to resolving these contradictions lies in vigorously raising the economic benefits of our enterprises and actively improving their ability to export more goods to earn more foreign exchange. To acheive this, the most practical approach is to vigorously raise the qualities of our enterprises, strengthen management, improve the quality of their products, reduce material consumption, and tap their tremendous potential. An urgent task at present is to establish a management method and system suitable to the changing role and functions of enterprises.

In his report, Lu Dong outlined the plan for the 1986 economic work. He said: According to the CPC Central Committee and State Council plan for this year, efforts will be made to maintain a steady economic growth and to create conditions for further reforms. In the field of reform, the general principle is to strengthen, bring into play, supplement, and improve existing reform measures, keep the advantageous and eliminate the disadvantageous, and solve relevant conspicuous problems in reform. In economic development, it is necessary to strengthen and improve macrocontrol, adopt different policies appropriate to different localities and circumstances, and to successfully arrange for their production in order to ensure continuous, stable, and balanced growth of the national economy. In rural reforms, it is necessary to seriously implement the guidelines of the CPC Central Committee and State Council documents and make new contributions to rural economic development. In urban reforms, it is necessary to grasp firmly the key link of enhancing the vitality of our enterprises. Revitalizing our enterprises is a major step in enhancing our national strength and maintaining stable, balanced economic development.

Lu Dong said: In organizing production and circulation in 1986, while concentrating on the central task of raising economic effectiveness, efforts should be made to properly handle the relationships between speed and benefit, output and quality, production and market, and domestic sales and exports. A proper growth rate should be maintained. Our economy needs a cooling-off period of more than a year to return to a normal speed from an excessively high speed. A proper growth rate should be maintained under a strictly limited capital construction investment and consumption fund. While making efforts to maintain their production speed and fulfill their tax, profits, and revenue targets, various localities and departments may realistically examine their production plans to determine their future growth rates in accordance with state plan and their actual conditions.

Lu Dong concluded: The Seventh 5-Year Plan covers an important period that will lay a foundation for accomplishing the magnificent goal of quadrupling the gross annual value of industrial and agricultural production. It will also be an important period in exploring and establishing a socialist economic management system with Chinese characteristics. The National Conference of Party Delegates has drawn up a blueprint for construction during the Seventh 5-Year Plan. This is the first year under the plan. We must actively act under the leadership of the CPC Central Committee, improve the work style of our leading organs, go deep into the realities, work hard to serve the grass roots, mobilize and rely on the people throughout the country, and make concerted efforts to win this first battle of the Seventh 5-Year Plan in order to achieve new success for the four modernizations.

Yuan Baohua, vice minister in charge of the State Economic Commission, spoke on ways to promote material and spiritual civilization simultaneously, to vigorously strengthen the building of ideology and work style of our leading bodies with the goal of rectifying the party style, and to improve and strengthen the ideological-political work of workers in enterprises.

Yuan Baohua on Spiritual Work

OW142323 Beijing XINHUA Domestic Service in Chinese 1359 GMT 11 Jan 86

[By reported Ge Daxing]

[Excerpts] Beijing, 11 Jan (XINHUA) -- In the 7 years since the 3d Plenary Session of the 11th CPC Central Committee, party organizations at all levels on China's economic front have made efforts to strengthen ideological-political work in enterprises. These efforts played a significant, positive role in eliminating chaos and restoring order, in promoting all-round reform, and in overfulfilling national economic plans.

After fully affirming these achievements at a national economic conference today, Yuan Baohua, vice minister of the State Economic Commission, said: We must also realize that, in our enterprises, the building of spiritual civilization and the relevant ideological-political work are still a weak link compared with material construction. We need to construct spiritually and materially simultaneously. We need to vigorously strengthen the building of our leading bodies' ideology and work style to achieve the goal of rectifying party style. We need to improve and strengthen the ideological-political work of our enterprise workers in this new period, and to mobilize them to work in unity for all-round fulfillment of the various tasks outlined in the Seventh 5-Year Plan.

Reviewing ideological-political work in enterprises in the last 7 years, Yuan Baochua cited the following five major achievements: As a result of the elimination of chaos, restoration of order, and the removal of "left" influence, the focus of ideological-political work in enterprises has shifted from "taking class struggle as the key link" to one of guaranteeing the four modernizations, and the guiding thought that ideological-political work in the new period must be carried out in close integration with economic construction and structural reform has become clearer. The large amount of ideological-political work, focusing on enterprise consolidation and reform, has begun to produce tangible results. Having inherited finer traditions, enterprises have further improved their ideological-political work and blazed a new trial. A number of enterprises, outstanding in ideological-political work, have emerged in various localities and departments. Finally, the ranks of political cadres have gradually grown into a fine contingent of experienced, trustworthy cadres.

Yuan Boahua said: Ideological-political work inour enterprises during those years was generally good. However, development in different localities, departments, and enterprises was not even. To a large extent, this uneven development has contributed to unhealthy party style and unsound management ideas in a number of enterprises, an increase in economic crime, and unhealthy social ethics. After the emphasis of the entire party's work was shifted to the four modernizations, the phenomenon of ignoring the spiritual apsect of construction and ideological-political work existed among many leading comrades in economic departments at various levels. He continued: Comrade Deng Xiaoping said: "Neither our revolution nor our construction can succeed by relying on material conditions alone."

Yuan Baohua put forward specific demands for strengthening and improving current ideological-political work for enterprise workers. He said: We must use the guidelines of the National Conference of Party Delegates to bring about an ideological consensus among leading cadres at all levels. We must raise the consciousness of simultaneously upholding the building of material and spiritual civilization. We must in no way allow the building of socialist spiritual civilization to be hindered or undermined by policies or work in any area. Strengthening the building of spiritual civilization is not only the responsibility of local party committees, but also that of the enterprises' responsible departments at their respective levels.

Yuan Baohua on Party Reform

OW142359 Beijing XINHUA Domestic Service in Chinese 0912 GMT 12 Jan 86

[Excerpts] Beijing, 12 Jan (XINHUA) -- Speaking at the ongoing national economic conference in Beijing, Yuan Baohua, vice minister in charge of the State Economic Commission, pointed out: The economic front shoulders a major responsibility in rectifying unhealthy practices. It must act now, beginning with every individual and leading body at every level, to ensure tangible results.

Yuan Baohua said: Under the new historical conditions of opening to the outside world and enlivening the national economy, all Communist Party members, particularly cadres with party membership, must be able to stand up to the test of: 1) money; 2) power; 3) children, relatives, and friends; 4) reforms; and 5) opening to the outside world. Yuan Baohua said: The first two tests are particularly important. One cannot expect to pass the last three tests if one fails to pass the first two. In rectifying unhealthy practices, the economic front must tackle this crucial issue head on.

Yuan Baohua pointed out: We must seriously act in accordance with the decision of the CPC Central Committee and take the strengthening of education in party spirit, style, and discipline and the rectifying of unhealthy practices as the focal point of party rectification in enterprises. All enterprises must establish a strict responsibility system for party style as party rectification progresses. Units, having completed party rectification, should conduct additional investigation and take additional measures if the unhealthy practice of their leading bodies were not dealt with in the party rectification process. In future cadres selection and promotion, enterprises should thoroughly implement the central policy requiring cadres to be more revolutionary, younger, better educated, and more professionally competent. Specific provisions regarding the criteria of being "revolutionary" should be worked out. Enterprises should also enforce strict party organization life, establish a system for supervising, evaluating, and examining cadres, and strengthen the study of basic Marxist theory among all cadres. Enterprise benefits must be subordinated to social benefits if contradictions occur.

Yuan Baohua said: Problems that occur in the course of reform on the economic front should be resolved in the spirit of reform. There should never be a turning back to the old path.

LIU GUOGUANG ON 'FOCUS OF REFORM' IN 1986

HK141504 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 Jan 86 p 8

[Extracts from JINGJIXUE ZHOUBAO: "What Is the Focus of the Reforms in 1986?" -- capitalized passage published in boldface]

[Text] WHAT IS THE FOCUS OF THE REFORMS IN 1986? THE FAMOUS ECONOMIST LIU GUOGUANG HELD THE THEORETICAL STUDY OF THE REFORM OF THE RELATIONS BETWEEN OWNERSHIPS SHOULD BE EMPHASIZED.

Liu Guoguang said that the current reform of the economic structure in China contains two aspects linking each other: the reform of the economic operational system and the reform of the relation between ownerships. The reform of the economic operational system will certainly touch the reform of the relations between ownerships. The readjustment and reform of the relations between ownerships is a prerequisite to reform of the economic operational system. The two must complement each other. Only thus, can positive results be achieved.

1. The readjustment and reform of the relation between ownerships contains two basic aspects, the readjustment of the structure of ownership and the substantial reform of state ownership. There have appeared in recent years several types of ownership that are beneficial to development of productive forces. The new and diversified structure of socialist ownership has become a trend.

2. Should the contents of state ownership be reformed? To what extent should they be reformed? All this depends on the pattern of economic operation that we choose. It is necessary to set up a planned commodity economic pattern in the reforms. The main factor that coordinates economic operations is horizontal market regulation. Therefore, greater changes in the contents of state ownership are inevitable.

3. The reform of the relation between ownerships is not only a demand to change the economic operational system, but is above all a need for developing production forces.

4. The expansion of consumption funds is directly related to the obscured relationship of property and ownership within enterprises. Without the reform of the contents of state ownership and without a factor representing state interest inside enterprises, it will be impossible for enterprises to seek their own long-term development and social benefits.

Liu Guoguang also said that the target pattern of the reform of ownership contains two aspects, the target pattern in the reform of the ownership structure and the target pattern in reform of the contents of state ownership.

The varied types of the structure of ownership require us to ascertain the proportions of different ownerships in the whole economy, which can not only ensure the dominant position of the economy of public ownership, but can also give vitality to the economy of other ownerships. The focus of the target pattern for reform of all relationships between ownerships is the reform of the contents of state ownership. The essential difficulty lies in large and medium-sized enterprises that have a large share in output value and the rate of tax. The experiment in reform has given people inspiration. It is necessary to treat the sharehold economy system as an important means in reforming ownership, and an important way for reforming enterprises owned by the whole people in particular.

Liu Guoguang finally said that there have been successful precedents to go by or experiences to learn from in instituting the sharehold system in socialist enterprises owned by the whole people. Therefore, it is necessary to make an analysis of the possible positive and passive effects that may be produced and to work out feasible plans to set up a target pattern of the relationship of public ownership suited to China's national conditions.

ECONOMIC REFORM IN 7TH 5-YEAR PLAN VIEWED

HK151140 Shanghai SHIJIE JINGJI DAOBAO in Chinese 6 Jan 86 p 3

[Article by Xiao Jie: "Diversified Views on the Focus of Economic Reform in the Seventh 5-Year Plan Period" -- first two paragraphs are SHIJIE JINGJI DAOBAO introduction]

[Text] The reform of China's economic strucure, which started in 1979, reached the first high tide in 1984. The increasing role of the market mechanism and expanding enterprise decision-making power in operations have invigorated the economy as a whole. With the unfolding of the reform, however, some new phenomena and problems have also emerged. The loss of economic control in the second half of 1984 and the results of implementing the ensuing control measures fully show the complexity and difficulty of restructuring China's economy. Complex reality will inevitably give rise to theoretical introspection. Following the summation of the reform experience gained in the Sixth 5-Year Plan period, discussions on how to establish a Chinese-style planned commodity economic structure are becoming a central issue in a new round of theoretical probes. Numerous views have been raised about the focus of economic reform in the Seventh 5-Year Plan period.

China's reform has drawn worldwide attention. Through practice over the past few years, people have deepened their impressions and understanding of the development of China's commodity economy and the study of reform theories and policies has also been conducted more penetratingly. Different focuses have been stressed and different policy decisions drawn. It indicates that our theoretical and policy studies are being conducted more penetratingly. It also shows that the situation marked by reform theory lagging behind reform practice has started to change and that the reform situation in the Seventh 5-Year Plan period is better than that in the Sixth 5-Year Plan period.

Some comrades hold that the reason for loss of macroeconomic control lies in the fact that the partial reforms conducted in the Sixth 5-Year Plan period failed to effectively overcome the inherent defects of the traditional structure, that the governments at all levels still exercised excessive control over enterprises, that the economic responsibilities of enterprises were not clearly defined, that the price signals [xin hao 0207 5714] were still seriously irrational, and that immature reform in the field of distribution also led to greatly inflated consumption. They hold that the greatest problem at present still is the irrational prices, which have given rise to an "investment-hungry disease" characterized by blind expansion. This makes it difficult to balance the national economic structure, to reduce mandatory planning in production and distirbution, and to reflect the actual contribution of enterprises to society in terms of profits, and leads to great differences in the tax burdens of enterprises. All this also makes it impossible for enterprises to engage in fair competition among themselves and makes it difficult for the market mechanism to play its role. For this reason, these comrades stress the need to conduct coordinated reforms.

First, it is necessary to conduct a coordinated and simultaneous reform of market economic relationships, such as pricing, taxation,and interest rates in order to create an environment for enterprises to engage in market competition on the basis of equality. Of these, price reform is a prerequisite condition to other reforms. Therefore, the essence of this view is the "theory of putting prices of the center of everything."

It holds that without a comprehensive reform of the price control system, it will be difficult to push forward other reforms and that even if some progress can be made, it will be impossible to attain notable results. The academic background of this view comes from Walras' theory of general equilibrium and the basis of its experience comes from the relatively successful reforms conducted in Hungary. For this reason, this view is supported by a sizable number of academics.

Among the comrades holding the above-mentioned view, some have even raised a practical question; namely, the question of power sharing by local authorities during reform in the Sixth 5-Year Plan period. These comrades hold that reform conducted in the past has basically followed the path of local power sharing and that a large portion of power has not been transferred to enterprises but to local authorities. They hold that the local authorities have undertaken excessive tasks in economic activities in recent years, thus adversely affecting the economy. For example, economic considerations of the local authorities regarding the development of their own localities have made it difficult to implement the central policy on industrial production and to have a rational economic distribution. Excessive interference by local authorities in the economic activities of enterprises has resulted in these enterprises still relying on the government for everything and has made it difficult for these enterprises to give play to their economic vitality. The tendency of local governments to protect the enterprises in their localities has also made it difficult for a unified market to come into being. By competing for higher growth rates local governments have also obstructed the implemention of central macroeconomic policies.

These comrades hold that it is necessary to change this tendency in the oncoming reform and to change administrative power sharing into an economic one; namely, expanding the power of economic organizations. Therefore, the focus of the oncoming reform should be placed on gradually reducing the economic responsibilities of local governments, weakening their economic functions, and transferring power to the enterprises. Local governments should concentrate their efforts on improving the infrastructure and so on. These comrades hold that in an effort to establish China's unified market, to improve the indirect control structure, and to further invigorate the enterprises, it is imperative to handle well the relationship between "central and local authorities." We have noticed this in the past few years. However, because many reform measures, such as taxation and foreign exchange earnings through export, have been based on contract and profit sharing among different regions, it has encouraged the tendency of regional divisions instead. For this reason, it is necessary to conduct coordinated reforms in taxation, banking, material supplies, foreign trade, and foreign exchange earnings and to gradually solve the problem of local governments taking excessive economic responsibilities and enjoying excessive economic power. These comrades hold that it is necessary to form some economic "intermediate levels" in our country. However, these intermediate levels should primarily be economic organizations, such as enterprise groups and large commercial institutions, not local governments.

Some comrades, however, hold a view vastly different from that mentioned above. They stress the relationship of property rights and hold that the focus of restructuring China's economy should be placed on solving the fund relationship between the state and enterprises. The comrades holding this view hold that, as far as the current reform situation is concerned, the market environment of enterprise management is indeed important but the ill-defined funding relationship between the state and enterprises is even more important. They hold that the root cause for the inflated agregate demand in the second half of 1984 lies in the fact that enterprises did not have a well-defined responsibility for the management of their funds. The enterprises used more state funds without correspondingly undertaking greater economic responsibilities.

This has given rise to unfair distribution of funds among enterprises with different fund contributions and a strong impetus among local governments and enterprises to scramble for more funds and credit from higher authorities. Moreover, although the enterprises have increased their accumulation, they cannot derive benefit from this. As a result, the enterprises always cherish a strong desire to expand their consumption funds. Furthermore, failure to clearly define property rights has also prevented the local authorities and enterprises from making long-term investments and has placed obstacles to investments transcending enterprises and regions.

Therefore, following the development of economic structural reform, we should lose no time in correctly solving the funding relationship between the state and enterprises. The settlement of this problem will enable enterprises to assume sole responsibility for their own profits or losses, to restrict their investment and consumption, to increase their economic vitality, and to create conditions for the application of indirect macroeconomic controls. These comrades maintain that based on a general industrial survey, it is necessary to explicitly define the state's portion of the assets of the enterprises, to divide shares between the state and enterprises, and to establish a "capital and operational responsibility system" in enterprises. There are many different opinions with regard to the settlement of the funding relationship between the state and enterprises. But the basic points of these opinions are the same; that is, they stress the decisive significance of the relationship between production and power, point out that enterprises' operational autonomy and their ability to control investment and consumption will be hampered if the relationship between production and power is not clear, and believe that the correct handling of the relationship between production and power will help solve major shortcomings in China's operational mechanism.

However, some comrades take exception to the above opinions. They maintain that economic development in recent years suggests more complicated problems in forming a planned commodity economy system. First, there is a great difference between the role of the market mechanism in logic and the role of the market mechanism in practice. In practice, the role of the market mechanism is restricted by enterprises' economic response to market information, apart from being hampered by various "frictional" factors in the economy. Stressing the rationalization of information to the neglect of the role of information will make it very difficult to turn the logical benefit of the reforms of prices, taxation, and interest rates into real benefit. Therefore, it is necessary to take account of nonprice factors in the economy, and in particular of the positive and negative roles of these factors in economic development, instead of paying attention only to prices to the neglect of market conditions, or taking prices as the only factor that affects the market. Second, economic development is quite out of balance in different regions in China, and these different regions are faced with greatly differing economic problems. One problem may have different practical meanings to different regions, although it appears as an entity from a macroeconomic view.

Therefore, it is hard to imagine the formation of an economic structure composed of "one government above and countless enterprises below." In fact, our understanding of the role of local governments in economic activities is far from adequate. We have not fully understood the economic functions of local governments, and in particular the influence of these functions on economic development. Our theoretical study and policymaking with regard to adaptability of the new economic structure to the ccuntry's productive forces still remains a weak link. In the opinion of these comrades, it is wrong to say indiscriminately that power has been excessively delegated to localities, as in fact some localities have excessive power and others have too little power. Third, insofar as the relationship between the state, the enterprise, and the individual is concerned, the contradiction is focused on the relationship between the enterprise and the individual, rather than on the relationship between the state and the enterprise. When employment lacks flexibility, the interests of the enterprise are equal to the total interests of its staff and workers.

With a clearer line between the state and the enterprise, we will find it even more difficult to make a distinction between the enterprise and the individual. This will result in an abnormal market reaction (such as price rises in raw materials and the expansion of production as a result of a drop in profit). If the enterprise lacks the ability to control its wage cost, it will find it difficult to bring its potential into play. Therefore, instead of concentrating our efforts on solving the relationship between production and power, we should focus our attention on finding a solution to the relationship between the enterprise and the individual. These comrades maintain that during the Seventh 5-Year Plan period, reforms should be focused on the settlement of the organization and management of the market (not only the commodity market, but also the capital market, the labor force market, and the technology market), the settlement of the problem concerning state graded control over the economy, and the settlement of the problem concerning the relationship between the enterprise and the individual. With the gradual invigoration of the economy and the expansion of enterprises' decision-making power, it is necessary to sum up experiences and lessons in economic reform and to probe methods for solving new problems, and in particular new methods for government economic management. These should be the focal points of reforms during the Seventh 5-Year Plan period.

LIAOWANG TRACES PROCESS OF URBAN REFORM

Part I

HK091340 Beijing LIAOWANG in Chinese No 50, 16 Dec 85 pp 19-21

[Article by Wu Peilun of the State Commission for Restructuring Economic System: "The Process of China's Urban Reforms" (Part 1) -- capitalized passage published in boldface]

[Text] Abstract: The process of our country's urban reform is roughly as follows:

-- Through reform experiments, the reform will gradually spread from a few areas all over the country.

-- The reform is first carried out in small enterprises and then extended to large and medium enterprises. It is begun in the sphere of small commodities and then extended to that of big commodities. It is first carried out in small cities and then extended to large cities. The easy tasks are tackled first and difficult ones are carried out later.

-- The urban economic structure is switching from the closed horizontal structure of areas and departments into an open vertical structure of networks.

-- Our country is switching from the practice of closing the country to international intercourse to the practice of opening up to the outside world and the scope of opening up is continuously being enlarged.

-- Our urban economy is being transformed from a product economy in the past that ignored the law of value and has the characteristics of a natural economy, into a socialized planned commodity economy.

-- The reform is being extended gradually from the sphere of the economic foundation to that of the superstructure and the functions of urban government organs in managing the economy have begun to change. [end abstract]

1. Initial Period of Urban Reform

The economic structural reform began around the time of the 3d Plenary Session of the 11th CPC Central Committee. In October 1978, Comrade Deng Xiaoping pointed out: "Since we want to drastically transform the present backward productive forces, we must change many aspects of our relations of production, superstructure, and the management methods in our industrial and agricultural enterprises, and the management methods by which the state runs our industrial and agricultural enterprises and thus adapt them to the demands of modern mass production." On 13 December 1978, Comrade Deng Xiaoping clearly pointed out: "If we still fail to carry out a reform, our modernization program and socialist cause will be doomed." "Before we can put forth a unified plan for the whole country, we can start from partial reform in one area or one trade and then gradually develop the reform. All the central departments should allow and encourage them to carry out this kind of experiment." Later, the 3d Plenary Session of the 11th CPC Central Committee confirmed Comrade Deng Xiaoping's ideas, and while deciding to switch the focus of the whole party's work onto socialist modernization, pointed out that we should conscientiously carry out a reform in our economic management system and methods of administration and management. For 6 years, while gradually carrying out an overall reform in our rural areas, we have also begun to experiment with, and probe into urban reforms.

During the 6 years from the 3d Plenary Session of the 11th CPC Central Committee to the 3d Plenary Session of the 12th CPC Central Committee, the initial experiments and exploration of our urban economic structural reform has roughly undergone the following three stages:

The urban reform began with the expansion of the decision-making power of our enterprises.

As far back as in October 1978, when Sichuan Province was under the leadership of Comrade Zhao Ziyang who was then first secretary of the provincial CPC Committee, six enterprises were selected for the experiment of expanding enterprise decision-making power. In 1979, the number of enterprises where the experiments were carried out rose to 100. According to the successful experience gained by Sichuan Province in making experiments, eight enterprises in Beijing, Tianjin, and Shanghai were selected in 1979 for national experiments. In July 1979, the State Council promulgated five documents concerning expanding the administrative and managerial decision-making power of our state-owned enterprises, allowing enterprises to retain a portion of their profits, levying fixed asset taxes, raising the depreciation rates improving the method of utilizing the depreciation funds, and providing mandatory amounts of credit for floating funds. These documents called on areas and departments to select a few enterprises for experiment in accordance with unified mandatory methods. By the end of 1979, the number of experimental enterprises rose to 4,200. In 1980, it continued to rise to 6,600. In this way the reform to expand the decision-making power of our enterprises has gradually been carried out.

At the same time, partial reform was also carried out in other spheres. For example, we implemented the new financial system of "eating in separate kitchens"; developed some regulation of market mechanism, restored urban and rural fair trade; promulgated the "PRC Law on Joint Chinese and Foreign Capital Enterprises" and welcomed foreign investors to invest in our country; implemented special policies and flexible measures for the external economic activities in Guangdong and Fujian Provinces and established special economic zones in Shenzhen, Zhuhai, Shantou, and Xiamen; and carried out some reform in our foreign trade system. This was the first stage of the reform.

The initial reform experiments that were focused on expanding the decision-making power of our enterprises were in the main separate reform projects. The comprehensive urban reform that began to be planned in 1981 and for which experiments were carried out in 1983 could be regarded as the second stage of reform experiment.

If we only carry out separate reform projects that are not coordinated with the all-round reform in other spheres, it is impossible for our enterprises to obtain all the decision-making power they ought to have. In addition, as the reform in our enterprises developed, the problems, such as making our enterprises "small and all-inclusive" or "large and all-inclusive," duplicated production and construction, conflicts between areas and departments and separation between urban and rural areas became increasingly noticeable. How are we to solve these problems? There have been many discussions in our theoretical circles and the issue of giving play to the role of cities as centers has been put forth. Since 1980, Comrade Zhao Ziyang has time and again expounded on this issue. At the Fourth Session of the Fifth NPC Congress in November 1981, he clearly pointed out: We should "change the phenomenon of departments and areas being separated from one another and closely guarding against one another." We should "form various kinds of economic centers and organize rational economic networks based on our large and medium cities." In this way, the issue of the experiments in comprehensive urban economic structural reform was put on the agenda. In July 1981, the State Council approved the beginning of a comprehensive economic structural reform experiment in Shashi City. In March 1982, it gave approval to Chanzhou City to conduct an experiment of all-round reform. But these two cities were both medium-sized cities where the contradictions such as the separation between departments and areas were not so serious as in large cities. Therefore, in February 1983, the CPC Central Committee and the State Council granted Chongqing City approval to conduct an experiment of comprehensive reform in a large city. Taken along by the experiments in these three cities, other cities have also conscientiously probed into the reform and gained quite a lot of experience.

The reform experiments in this stage were gradually carried out, focusing on giving play to central cities' role and conducting a comprehensive reform. Their concrete contents can be explained by dividing them into three levels:

The first level is the enterprises. In that period, the reform in the enterprises was principally the implementation of the economic responsibility system, which was the deepening of the development of the reform in expanding the decision-making power of our enterprises. At the same time, we vigorously developed diverse economic forms and diverse management methods in our enterprises.

The second level is our cities. This was mainly aimed at solving the problems in giving play our cities' role and expanding their power in organizing the economy. In this sphere, we have done the following work: We have transferred enterprises downward, experimented with allowing Chongqing a separate listing of its plan, and granted it provincial-level power in managing its economy. We have vigorously arrange the work of reorganization and merging of our enterprises on the basis of our cities and thus promoted the specialization and socialization of our production. Based on our cities, we have urged our science and technology to be combined with our production and organized the establishment of combines of scientific research, education, and production. We have reformed our construction industry and our capital construction management system, experimented with assigning all-round responsibility for construction projects by contracts, and arranged the construction of small residential housing areas. We have enlivened our commodity circulation through the simultaneous development of the state-owned, collective and individual sectors, reformed the previous closed circulation system that was characterized by a single channel and many links, developed many channels, reduced the number of links, developed small commodities and rural trade fairs, and experimented with establishing wholesale markets and trade centers.

We have begun to pay attention to giving play to the regulatory role of our economic levers such as deregulating the prices of small commodities, reforming the methods of credit management, and experimenting with floating interest rates.

The third level is to develop the regional economy and organize rational economic networks with cities as the centers. In 1983, we carried out the reform of setting up the system of cities leading counties. By the end of last year, 37 prefectures had been abolished throughout the country and 571 counties were put under the jurisdiction of 129 cities. The number of counties under the jurisdiction of cities accounted for 27.5 percent of the total number of counties in the country and the number of cities with counties under their jurisdiction accounted for 86 percent of the total number of cities under the jurisdiction of provinces. The areas where the reform of putting counties under the jurisdiction of cities has been carried out, have done lots of work in making unified arrangements of our urban and rural economies and organizing various kinds of urban and rural economic networks and achieved initial results.

In 1983, we respectively established the Shanghai Economic Region Planning Office, the Shanxi Energy Base Planning Office and the Northeast Energy and Communications Planning Office in order to probe into the issues of overcoming the separation between areas and departments on a larger scale and rationally organizing economic activities. In 1984, at the suggestion of central leaders, five parties in four southwest provinces (Sichuan, Guizhou, Yunnan, Guangxi and Chongqing) also established an economic coordination organization.

In 1984, the urban economic structural reform entered the third stage and a new turning point emerged in this reform.

In February 1984, Comrade Deng Xiaoping inspected Shenzhen and suggested that "a guiding idea should be clarified in establishing the special economic zones and carrying out our policy of opening up; namely, we should not tighten but should relax our control." Then Comrades Hu Yaobang and Zhao Ziyang inspected Chongqing and Comrade Hu Yaobang also visited Changzhou. They both affirmed the experience that these cities had gained in carrying out the experiments of comprehensive urban economic structural reform. In his report to the Second Session of the Sixth NPC, Comrade Zhao Ziyang clearly pointed out: "In our economic work in the future, we should focus on satisfactorily grasping two major tasks, the structural reform and opening up to the outside world."

The new turning point in our urban reform in 1984 that we mentioned above was mainly shown in the fact that the urban reform had already begun to spread from a few experimental areas to the whole country. The CPC Central Committee and the State Council have published a series of documents to arrange the work of reform in all spheres, including the work of opening coastal cities, further expanding the decision-making power of our enterprises, the reform in the management of our commerce, foreign trade, and machine building industry, the reform in the management system of the construction industry and capital construction, the second stage of the substitution of taxes for profit delivery, and the improvement of our planning system. In April 1984, the State Commission for Restructuring Economic System convened a forum on the experiments of urban economic structural reform in Changzhou. After that, the CPC Central Committee and the State Council respectively approved the experiments of comprehensive reform in four major cities including Wuhan, Shenyang, Nanjing and Dalian. The various provinces and autonomous regions have also selected a number of cities to be experimental cites in comprehensive reform. By now, experiments are being carried out in 60 cities. At the same time, a new breakthrough has been made in enlivening our enterprises.

The CPC Central Committee and the State Council have clearly put forth the policy of "streamlining administration and decentralizing power," and the State Council has made specific stipulations by promulgating 10 regulations on expanding enterprise decision-making power. We implemented the system of factory directors assuming responsibility and contract economic responsibility system inside our enterprises and thus carried out a small scale reform there. At the same time, we have greatly strengthened and invigorated the various forms of horizontal economic contacts between departments, between areas, and between trades.

II. Major Links of the Comprehensive Urban Reform

In August 1984, the 3d Plenary Session of the 12th CPC Central Committee was held. It marked a new period of the all-round development of our country's economic structural reform with the focus on urban reform. The "decision" approved by that session expounds on the orientation, goal, tasks, and basic policies of our urban economic structural reform. Last March, at the Third Session of the Sixth NPC, Premier Zhao Ziyang delivered a government work report titled the "Current Economic Situation and Economic Structural Reform," in which he gave a detailed plan of the tasks of the "initial battle" of the first year of reform after the promulgation of the "decision." When Premier Zhao inspected Wuhan on 22 April, he gave an important speech titled "Do a Good Job of Urban Reform and Give Play to the Functions of Our Cities," summed up the experience of reform gained by some cities in the past year, and expounded in an all-round manner on the guiding thoughts and basic principles of our urban reform. In its proposal on the formulation of the Seventh 5-year Plan last September, the CPC Central Committee worked out the details of the plan in the decision on economic structural reform by the 3d Plenary Session of its 12th Central Committee. So the path of urban reform has been clearly unfolded before our eyes. What then are the major links of our urban reform?

1. THE MAIN OBJECTIVE OF OUR URBAN REFORM IS TO GIVE PLAY TO THE DIVERSE FUNCTIONS OF OUR CITIES.

Comrade Zhao Ziyang pointed out: We should renew our understanding of the functions of our cities and the great significance of our urban economic structural reform. We now hold that we should be clear about the following:

1) We should regard our cities merely as industrial bases and should understand their diverse functions. Generally speaking, our cities are not only industrial bases, but also circulation centers (trade centers), communication hubs, financial centers, information centers, cultural centers, and scientific and technological centers.

2) Our cities should not merely serve themselves, but should also serve all the economic zones within the areas of their influence. We should not regard our cities merely as administrative units from the point of view of administrative division of areas, but should regard our cities as the centers of activities in the open socialist unified market. Our cities should be geared to the all-round situation and strengthen their influence and powers of attraction in the process of reform.

3) In assessing and evaluating the work of our cities, we should not pay attention merely to their gross industrial and agricultural output value, but should be more concerned about their influence and attraction. Our cities should not only provide advanced products, but what is more important, they should provide knowledge, technology, information and personnel. They should not only develop the production of material products, but should also speed up the development of service trade.

They should satisfactorily grasp tertiary as well as primary and secondary industries. They should satisfactorily carry out the construction of basic urban facilities and improve their comprehensive service ability, both of which are important preconditions for strengthening the influence and attraction of our cities.

Of course, we should also be aware that while having their common functions, each of our cities has its specific characteristics, and has to carry out its comprehensive reform in the light of its own advantages, characteristics, and economic development strategy.

2. INVIGORATING OUR ENTERPRISES IS THE STARTING POINT AND BASIS OF OUR URBAN REFORM AND THE KEY LINK OF OUR REFORM.

At the beginning of last year, our enterprises raised demands one after another for relaxing the control over them. Last year, the CPC Central Committee and the State Council once more clearly put forth the idea of "streamlining the administration and decentralizing power. The State Council promulgated 10 regulations on expanding the decision-making power of our enterprises. These have created necessary external conditions for invigorating our enterprises. The "decision" of the 3d Plenary Session of the 12th CPC Central Committee further clarified that invigorating our enterprises is the key link of the entire economic structural reform with the focus on urban reform. It also puts forth the idea that the ownership of an enterprise can be appropriately separated from the management power of the enterprise. By so doing, we can really turn out enterprises into socialist commodity producers and operators that are managed independently and that shoulder sole responsibility for their profits and losses.

Since this year, all the areas in our country including the cities where reform experiments are being carried out, have continued to invigorate their enterprises and in particular, have made some useful attempts to invigorate our large and medium-sized enterprises. However, there is still much work to do in this sphere:

1) Continue to implement the idea of streamlining administration and decentralizing power.

In streamlining administration and decentralizing power, we must remove "intermediate blocks" and satisfactorily solve the problems related to the intermediate-level management. In the commercial sector, our main task is to abolish the head offices of shops in districts (which are also called central shops); while in the sphere of industry, we should reorganize administrative industrial companies. The direction of the reorganization is to transform these companies from the administrative management type to the business and service type. Some of these companies can be abolished.

Doing a good job of transferring enterprises downward is an important link in streamlining administration and decentralizing power. Except for a small number of departments and trades where there are special circumstances, all central departments and provinces should on principle transfer the enterprises under their jurisdiction downward to the jurisdiction of the cities that these enterprises are located in. By so doing, we will first break the division of central departments and provinces. As our enterprises are transferred downward and as the intermediate level is reformed, the reform of the entire economic management structure in our city will be put on the agenda. In the early half of this year Jiangmen, Tianshui and other cities began to reform their economic management organs by abolishing the various industrial departments and strengthening the functions of comprehensive departments. The orientation of the reform in our urban economic management organs is to separate government functions from those of enterprises.

Only by separating the functions of our governments from those of our enterprises can we really streamline our administration and decentralize our power, and can we enable our cities to free themselves from the fetters of administrative subordinate relations and really become open and multifunctional centers of economic activities. Otherwise, new separations between cities will emerge even though we have broken the separation between central departments and provincial areas.

Part II

HK091530 Beijing LIAOWANG in Chinese No 51, 23 Dec 85 pp 22-24

[Article by Wu Peilun of the State Commission for Restructuring Economic System: "The Process of China's Urban Reform (Second and Last Part)" -- capitalized passages published in boldface]

[Text] 2) We should scrive to urge our enterprises to embark on the route of regarding improving their economic results as the key and enable them to switch from production type to operation and development type. Our enterprises should be switched from product producers into relatively independent commodity producers and operators. This is a vital issue in enlivening our enterprises. Therefore, we should attach importance to information, heighten our decision-making competence, give important positions to talent development workers, improve our administration and management, rely on technological progress, continuously open up new markets, develop new technology and products, improve product quality, and heighten our enterprises' ability to compete and adapt themselves to change.

Our enterprises may also diversify their operations in the light of their own conditions while focusing on one principal operation.

3) Our enterprises should pay attention to their internal affairs and carry out many full sets of small reforms. The major contents of these reforms are the substitution of taxes for profit delivery, the implementation of diverse forms of the contract economic responsibility system, the transformation of enterprise leadership systems and the trial implementation of the system of factory manager assuming responsibility.

The trial implementation of the system of factory managers assuming responsibility began last year. Generally speaking, relatively good economic results have been achieved in this. Some enterprises where the trial implementation has not been carried out, have, to differing extents, reformed enterprise leadership systems.

Besides the satisfactory implementation of the contract economic responsibility system, another important experience that has been gained in implementing small reforms inside our enterprises, is that assigning economic responsibility should be combined with the interests of the operators. On the basis of a clear understanding that the relations between the state and the enterprises are now characterized by the substitution of taxes for profit delivery, the state (its responsible departments) will assign contract responsibilities to enterprise managers.

Shenyang and Chongqing have developed to the point where they can establish a system of contract responsibility for fulfillment of various targets within the tenures of the managers. If the responsible departments and the managers sign contracts for fulfillment of various targets within the tenures of the latter, even better results can be expected.

The content of the contract economic responsibility system is continuously being enriched and developed. Now some enterprises have not only divided up and assigned their current operational objectives level by level downward, but have also included in their economic responsibility system the tasks related to their strategy to develop their operation, their technological progress, the modernization of their management and the training of their personnel, and divided up and assigned these tasks level by level downward. This is a very far-sighted practice. Dividing up large and medium-sized enterprises into small accounting units is another development of the contract responsibility system.

3. OPENING UP IS THE LIFELINE OF OUR URBAN REFORM

For a long time, we mainly relied on administrative means in managing our economy, issued orders from top downward according to the relations of administrative divisions, systems and subordinate relations and stressed vertical relations, thus causing separations and blockades between departments and areas.

Now, we should switch to managing our economy by economic methods and act in accordance with the objective economic laws, innate economic relations, and the principles of economic interests. In order to do that, we should stress horizontal economic relations. This requires our cities to open their doors wide to other provincies, cities, and areas. Only when they are opened can there by competition and progress, can commodity economy be developed, can enterprises be invigorated, and can our cities play their multifunctional role. This problem must be conscientiously solved in the course of our urban economic reform.

1) We should conscientiously develop the horizontal economic relations between our enterprises. This will be an inevitable trend after our enterprises are enlivened. Last year, a new trend to economic mergers emerged in Changzhou centered around new, well-known brand, and quality products, based on backbone enterprises. By now, more than 40 "enterprise groups" have been formed by nearly 1,000 urban and rural industrial enterprises. This is a new combination on the basis of the expansion of the decision-making power of our enterprises. It is not a combination formed by order from above, but one formed from the bottom upward by enterprises on their own on the basis of voluntary participation and mutual benefit.

2) We should continue to open up our market and enliven our circulation. Comrade Zhao Ziyang pointed out: "Cities and markets are inseparable. Large cities are large markets while small cities are small markets." He also pointed out that we had to open up diverse markets and form these markets into full sets. "There should not only be consumer goods markets, but we should also open up means of production markets. There should not only be commodity markets, but we should also open up our financial market, technology market, labor market, and so on."

We should first open up and expand our consumer goods market. Since the beginning of last year when Comrade Zhao Ziyang affirmed Chongqing City's practice of establishing trade centers, such centers have mushroomed and developed all over the country. The characteristics of these trade centers are: They have changed the traditional system of fixed customers, fixed areas of sales, and fixed pricing methods and actually relaxed the control over the choice of customers, the scope of business, the forms of transactions, the methods of pricing, nd the sope of services. By so doing, they have broken the distribution system formed by first-grade, second-grade, and third-grade wholesale centers and greatly facilitated the development of our consumer goods market. At present, there are too many trade centers in some cities. Among these trade centers there are quite a few that are just there to make up the numbers and even some "briefcase companies" that are specialized in buying and selling short and speculation. Therefore, a consolidation is urgently necessary.

Another way in which cities can free the consumer goods market is to attract firms from other areas to set up shops and enterprises in the city. Guangzhou City was the first to carry out this work. By now, there are over 600 enterprises which are run by, or are joint ventures between Guangzhou and more than 20 other provinces and municipalities including Xinjiang, Jilin, Nei Monggol, Beijing, Shanghai, Tianjin, and Guangxi.

The rise of the technology market has occurred in the past couple of years. For a long time, as we neglected the circulation of technology, our technology could not be promptly transformed into productive forces. We should realize that developing the production of technological products and promoting their circulation is an important part of our socialist commodity economy.

Since this year, some new trends have emerged in the technology market in some of our large cities: First, there has been the trend of diversification in levels, channels, contents, and business methods. Second, there has been the trend of development from the transfer of a single item of technology to the provision of complete sets of technology, the undertaking of entire projects by contract, and the provision of complete technological services. Third, the initiative and ability of production units in purchasing technological commodities have clearly risen and the scale of the transactions has quickly expanded. Fourth, the technological markets in various cities have become increasingly mutually related and the influence of these markets has continued to expand.

We have also established our construction market. Construction in industry in all the areas in our country has gradually changed the old method of applying administrative means alone in assigning construction tasks. Now a means of production market has already begun to emerge and our rolled steel, timber, coal, machinery and electrical products have to different extents entered the market. As the scope of mandatory plans on means of production is reduced, the scope of the regulation of market mechanism will continue to expand.

3. In implementing the policy of opening up, we should also develop the economic and technological cooperation between cities and areas. Over the past year, the cooperation between cities and between different areas has developed from a cooperation mainly related to materials and goods to a cooperation in diverse spheres including technology, funds, and personnel, and from a temporary cooperation related to separated projects, to long-term cooperation involving many projects and to long-term economic combination.

In the process of developing horizontal economic cooperation, there is another new trend -- the emergence of city groups. Last September, Shenyang, Wushun, Dandong, Benxi, Liaoyang, Tieling, Anshan and other cities formed the "Liaozhong Economic and Technological Combined Group of Cities" in the light of the characteristics of central Liaoning where cities are located close to one another, and where communications and economy are developed. They have formed a board and established an office in Shenyang to coordinate the economic development of the various cities in central Liaoning in a unified manner. Then Dalian, Dandong, Yingkou, Panjin and Jinzhou, the five coastal cities in southern Liaoning, and Jiangsu's Suzhou, Wuxi and Changzhou Cities and Nanjing, Zhenjiang and Yangzhou Cities also formed different forms of economic combines one after another. It seems to us now that there are great prospects in gradually developing the specialized division of labor and cooperation between our cities, in particular, in merging the medium and small cities around our large cities with these large cities and thus forming city networks on different scales and with rational layouts and different characteristics.

4) We should vigorously develop our external economic relations

In implementing our policy of opening to the outside world, we should urge things introduced from abroad to combine with cooperation at home. In other words, while introducing things from abroad, our coastal cities should strengthen their work to cooperate with home areas. Comrade Zhao Ziyang pointed out: The development of our special economic zones, open cities, and coastal areas is not isolated. The greater their external influence, the more they need the backing of other areas and the more indispensable are the cooperation and support of inland areas to them. Our coastal and inland areas both have their advantages. If they can strengthen their mutual cooperation and exchange, they will be able to offset each other's weak points with their strong points and thus give play to their tremendous potential. We should have the daring to attract tens of thousands of businessmen to our cities, benefit nearby areas, and attract people from far away. The large enterprises in the hinterland should stretch their feelers to the coastal areas, open up window and establish bases there. This is a strategic guiding thought, which we should conscientiously comprehend and implement.

4. LEARNING TO APPLY ECONOMIC LEVERS AND LEGAL MEANS AND STRENGTHENING MACROCONTROL AND MANAGEMENT IS A NEW TOPIC OF OUR URBAN REFORM.

Taking the country as a whole, the situation of economy and reform has been satisfactory since last year. Of course, there have also been some problems that we should not overlook. As our microeconomic life is enlivened, there has been a trend to overheated economic growth. Therefore, the task of strengthening macrocontrol has been put on the agenda. As our country's reform started from microenlivening and in addition, as we are not familiar with macrocontrol and management some comrades do not understand them much and even think that strengthening macrocontrol and management means refusing to support the reform. On the other hand, some measures of macrocontrol are indeed old measures and the practice of following beaten paths, and some of them are designed with the understanding that macrocontrol means centralization. These ideas and practices are all one-sided. For there is a unity between control and enlivening. Only when we satisfactorily exercise our macrocontrol can we create fine environment and conditions for microeconomic enlivening. The more our economy is enlivened and the more developed our commodity production, the more necessary it is to strengthen our macrocontrol. The two supplement each other. However, in exercising this control and management, we should apply new methods and manage to prevent confusion and rigidity while enlivening and exercising control. Comrade Zhao Ziyang pointed out that in our many years of economic work there have been some long-standing malpractices that have to be removed through the reform. The new problems that have cropped up in the course of the reform can only be resolved through the reform. We must never return to the beaten path.

How are we to apply new scientific methods to strengthen our macroregulation and management? We hold that we should primiarly realize the following three changes: In regard to our management methods, we should gradually switch from the previous practice of direct control in managing money and things to the practice of conducting indirect regulation and management by applying economic levers and legal means. In regard to management modes, we should switch from the previous practice of relying merely on administrative orders to stop loopholes, to the practice of applying economic and legal means to enlighten and guide our enterprises and thus make their activities conform to the requirements of the long-term interests of the whole society. In regard to management methods, we should switch from the pervious practice of carrying out political campaigns to correct unhealthy tendencies to the practice of strengthening economic legislation and judicial departments to carry out constant inspection and supervision.

Price is the most powerful economic lever that plays the greatest role. The resolution of the 3d Plenary Session of the 12th CPC Central Committee points out: Rational prices are important conditions that ensure the healthy development of our national economy. Therefore, the reform in our price system is the key to the success and failure of the entire economic reform.

Over the past few years, we have carried out one reform after another in our price management system, reformed the previous system in which all prices were fixed, adopted the pricing methods that combine state's and enterprises' fixed prices with freely decided prices and that combine fixed prices, fluctuating prices, and free prices.

In carrying out price reform in the future, we should continue to adopt the principle of combining relaxation with readjustment and making progress bit by bit in a planned manner. First, we should continue to improve and perfect the reform measures that have already been adopted. We should fully consider the capability of the state enterprises and people in enduring the reform, strive to maintain the basic stability of general price levels, and avoid any great social turbulence.

At present, we allow two kinds of prices for our means of production, state allocation prices and market-regulated prices. We should gradually reduce the percentage of the goods for which the prices are fixed by the state in a centralized manner. At the same time we should readjust the planned prices in an orderly and systematic manner and thus gradually reduce the disparity between these two kinds of prices. The rise in costs due to the price hikes of means of production should be offset as much as possible through tapping the internal potential of our enterprises. We should strictly control the scope and range of consecutive price increases.

The comprehensive application of economic levers also includes the issues of the reform related to wages, finance, taxation and the banking sector, and all these reforms involve the reform in our planning system. The reform in our wage system should match our price reform, enable our staff and workers' wages to rise as our production develops and economic results improve, and ensure that the real income of the vast number of our urban and rural residents does not fall due to price readjustment.

In regard to our financial system, we have already implemented the system of classifying our taxes into categories. Our tentative idea is that we should gradually raise the percentage of profits that enterprises owned by the whole people can retain after paying taxes, in order to heighten the self-transformation and self-development ability of our enterprises. The funds that are invested in profit-geared enterprises and institutions should mainly come from the funds at the disposal of these enterprises or be raised by establishing joint ventures, pooling funds, or bank loans. The funds invested in nonprofit institutions and basic facilities should be allocated by the financial departments. The financial departments should subsidize the interest payments for long-term projects. We should continue to perfect our taxation system, rationally establish categories of taxes, rationally readjust tax rates, guide the development of various kinds of industries and deaprtments in order to make them conform to the principle of giving play to advantages and offsetting disadvantages and meet social demand, and in order to rationally readjust the distribution of income between the state, collective, and individual.

In regard to the reform in our banking system, while strengthening the state's macrocontrol, some cities have also probed into the methods of the reform. For example, Wuhan has planned the following reforms:

1) It will develop diverse banking institutes and establish a multilayer and multifunctional banking system involving all sectors with the People's Bank as the core and the various specialized banks as the principal parts. 2) It will allow diverse forms of credit, such as giving loans for scientific and technological development, discounting and accepting bills of exchange, and developing and guiding the development of commercial credit. 3) It will adopt diverse tools of credit, such as expanding the regional scope of settling by check, establishing the business of travelers checks and bank transfer between branches in different areas. 4) it will develop diverse kinds of banking service.

The orientation of the reform of our banking system is to conscientiously develop vertical accommodation of funds and facilitate the gradual emergence of a funds market. We should encourage trans-regional, trans-departmental, and trans-trade investment and avoid duplicated construction. At the same time, we should give full play to our banks' role in supervising the employment of funds, exchanging information, regulating macro economy, and managing the money market.

Our various economic levers have different functions. In applying them, we should coordinate them in an all-round manner. Last year, Wuhan City respectively organized its financial, taxation, banking, and price departments to take part in the research into the city's major economic policies and development plans, and thus enabled it to have a common starting point in applying the economic levers. Hangzhou and Shanghai have also respectively established their systems of economic lever coordination meetings, which are proving fairly effective.

At present, our country is still backward in developing its legal system. In future, we should continue to strengthen the work in this sphere, in particular we should continue to improve and perfect our economic legislation.

GUO LINXIANG ADDRESSES ARMY CADRES MEETING

OW150609 Beijing Domestic Service in Mandarin 1200 GMT 13 Jan 86

[Text] The party committee of the PLA General Political Department and the All-Army Discipline Inspection Commission called a meeting of cadres at or above corps level this morning. The meeting called on the General Political Department and the All-Army Discipline Inspection Commission to conscientiously implement the guidelines laid down at the conference of cadres of central organs to take the lead in rectifying party style and set a good example for the entire Army.

In his speech at the meeting, Guo Linxiang, deputy director of the General Political Department and secretary of the All-Army Discipline Inspection Commission, pointed out: Leading cadres at various levels in the General Political Department and the Discipline Inspection Commission under the Central Military Commission should have a high political consciousness and take the lead in study, investigation, and reform. In his speech on behalf of the party committee of the General Political Department, Li Guangxiang, secretary general of the General Political Department, said: The central authorities have pointed out that there are some problems in party style. Such problems also exist in the Army and the General Political Department. The Army, especially the three general departments, should take the lead in rectifying party style. As the leading body of the Army in political work, the General Political Department should particularly take the lead in this regard. Only thus can the General Political Department enjoy high prestige and play a due role in rectifying party style in the Army.

ANHUI REDRESSES UNITED FRONT-RELATED FRAME-UPS

OW132144 Hefei Anhui Provincial Service in Mandarin 1100 GMT 9 Jan 86

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the people's courts at all levels in Anhui, working in close coordination with various united front work departments, have seriously reexamined the verdicts involving defectors, senior intellectuals, Overseas Chinese and their families, Taiwan compatriots and their families, a small number of upper-class democrats, and personages of the religious circles and democratic parties; and have corrected large numbers of frame-ups, false charges, and erroneous verdicts. They have also helped departments concerned accomplish a great deal of work in redressing the damage, thus removing the political burdens that had long burdened the victims and arousing their enthusiasm for building a stronger China and building the motherland. This project, which has played a positive role in developing and broadening the patriotic united front and expediting the great cause of national reunification, has been endorsed and supported by the broad masses of people.

Not long ago, the Anhui Higher People's Court, in a provincial conference it sponsored to discuss matters concerning reexamination of united front-related verdicts, urged the people's courts at all levels to heighten their understanding, eradicate the influence of leftist ideology, dare to bear responsibility, and redress all the erroneous united front-related verdicts so that the party's united front policies can be effectively implemented.

WAN SHAOFEN AT JIANGXI MEETING ON RURAL REFORM

OW150205 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 11 Jan 86

[Excerpt] The seven counties in the province selected for overall reform on a trial basis have speeded up economic development and increased economic results in the 18 months since the reform started, it is learned at those counties' provincial report meeting, which closed yesterday.

In the second half of 1984, the provincial party committee and provincial people's government selected the seven counties of Chongyi, Yanshan, Yongfeng, Duchang, Fengcheng, Zixi, and Nanchang for overall reform as an experiment. In the 18 months since, these counties have carried out a coordinated reform in 10 areas, including the financial system, the systems of cadre management and labor and personnel, the establishment of organization, the industrial structure, the circulation system, the system of management of industrial enterprises, and the educational system. The reform has breathed new life into the seven counties' economy. Compared with the 1983 figure before reform started, their 1985 total of industrial and agricultural output value rose 42.9 percent, higher than the provincial average of 35.4 percent. Their financial revenue and per capita income are also higher than the provincial average.

Wan Shaofen, secretary, Xu Qin, deputy secretary, and Pei Dean, member of the Standing Committee, of the provincial party committee, and (Sun Xiyue), vice governor, attended the meeting to hear reports by the principal responsible comrades of the seven selected counties. They also made speeches.

In his speech, Wan Shaofen said: The seven counties have obtained certain experiences in overall reform. They have adhered to the correct orientation and adopted positive and carefully deliberated measures. Their economic results have also been good. Instead of depending on financial assistance from the state, their county and township leaders have depended on their own efforts to make money. They have improved their ability to accululate and use funds by themselves, and kept the whole economic situation in view.

Wan Shaofen called on the selected counties to combine in the study of this year's Document No 1 of the CPC Central Committee, seriously summing up experience gained in the past year and more, set an example in implementing the document, make serious efforts to enliven the economy and promote commodity circulation, do a good job in building leading bodies, and correctly handle relations between implementing reform and rectifying party style and social practices.

Wan Shaofen emphatically pointed out: Although the seven counties were selected by the provincial party committee and provincial government for overall reform, the concerned prefectural and city party committees and the concerned provincial, prefectural, and city departments should regard these counties as the ones they themselves selected. The various provincial and prefectural departments concerned should actively support the selected counties, and create the needed conditions for overall reform to succeed. They should jointly try to persistently carry out reform in depth, and push it to new heights.

SHANDONG SECRETARY ON IMPROVING WORK STYLE OF ORGANS

SK130420 Jinan Shandong Provincial Service in Mandarin 2300 GMT 12 Jan 86

[Excerpt] During the past few days, the broad masses of party members and cadres of the provincial-level organs conscientiously studied the important speeches of central leading comrades, including Hu Yaobang, at the meeting of cadres of central organs, and studied and implemented the speeches of responsible comrades of the provincial CPC Committee on strengthening the ideological work and improving the work style of the organs. In line with the plan of the provincial CPC Committee, they have solidly carried out the work of improving the work style of the organs in the spirit of the foolish old man who removed the mountains, and pledged to set an example for the people of the province by scoring new achievements in the work for 1986.

On 3 January, Liang Buting, secretary of the provincial CPC Committee; and Lu Maozeng, deputy secretary of the provincial CPC Committee, sponsored a meeting of secretaries general and office heads of six major provincial-level organs to set forth specific demands and definite tasks in improving the ideological work and work style of the provincial-level organs.

The speeches of leading comrades of the provincial CPC Committee on strengthening the ideological work and improving the work style of the organs have evoked repercussions among the provincial organs. The CPC Committee of the provincial-level organs had issued a circular, calling on departments, commissions, offices, and bureaus to conscientiously study and implement the speeches of the leading comrades of the provincial CPC Committee on strengthening the ideological work and improving the work style of the organs, and calling on the party organizations under the organs to conscientiously relay and implement the guideline of the speeches. After conscientiously studying the guidelines of the speeches, the party committees and leading party groups under the departments, commissions, offices, and bureaus have studied and formulated, in accordance with the demands of the provincial CPC Committee, measures for studying and implementing the guidelines of these speeches.

SHANGHAI'S RUI XINGWEN ADDRESSES PARTY MEETING

OW150419 Shanghai City Service in Mandarin 0100 GMT 14 Jan 86

[Excerpts] The Shanghai Municipal CPC Committee called an enlarged meeting of its Standing Committee yesterday morning to study the important speeches delivered recently by central leaders at a conference of cadres of central organs.

In his speech at the meeting, Rui Xingwen, secretary of the municipal party committee, said: Leading cadres of municipal-level organs should translate the guidelines of the central leaders' speeches into action and set an example for the people of the municipality in rectifying party style.

Rui Xingwen pointed out how to prosperly study these speeches: Leading comrades of the municipal party committee, the municipal People's Congress Standing Committee, the municipal people's government, and the municipal CPPCC Committee should use some of their time for study before the Spring Festival. While doing such studies, they should pay special attention to manifestitations of bureaucratism, liberalism, indivdualism, selfish departmentalism, and other unhealthy tendencies. They should correct such manifestations while engaged in study. In addition, vigorous efforts should be made to handle major or serious cases.

Rui Xingwen said: The municipal party committee has decided to set up a leading group for rectification of party style in municipal-level organs, and to appoint Yang Di head of the leading group.

Other speakers included Jiang Zemin, Yang Di, Huang Ju, and Wu Bangguo, deputy secretaries of the municipal party committee; Chen Tiedi, Sun Guizhang, and Mao Jingquan, members of the Standing Committee of the municipal party committee; and Comrades Chen Guodong and Hu Lijiao.

BRIEFS

JIANGSU FOREIGN TOURISTS -- Nanjing, 14 Jan (XINHUA) -- Attractive scenery and remnants of traditional Chinese culture attracted over 500,000 tourists from abroad to China's east coast Jiangsu Province last year. A provincial official said here today the number of tourists has increased at an average of 25 percent a year since China began encouraging tourism in 1979 -- and should top 1 million by 1990. According to the official, part of the province's success in attracting tourists has been the range of programs it offers to visitors. These include a cruise on the Jiangsu section of the 2,500-year-old, 1,794 km Beijing-Zhejiang Grand Canal, a major symbol of ancient China. Other tours emphasize visits to rural areas, bicycling, fishing, and courses in Chinese cooking and Tiajiquan, a form of traditional Chinese shadow boxing. To accommodate the growing numbers of tourists from abroad, the province has built 24 hotels, with 6,000 beds. [Text] [Beijing XINHUA in English 1452 GMT 14 Jan 86 OW]

YE XUANPING ON ECONOMIC ACHIEVEMENTS IN GUANGDONG

HK091135 Beijing ZHONGGUO XINWEN SHE in Chinese 1420 GMT 7 Jan 86

[Text] Guangzhou, 7 Jan (ZHONGGUO XINWEN SHE) -- Guangdong Governor Ye Xuanping believes that the 5 years from 1981 to 1985 have been the most prosperious period for the province.

In an article published in the first 1986 issue of the journal KAIFANG, which is to be published on 8 January, the governor points out that during the "Sixth 5-Year Plan" period, Guangdong Province achieved the following successes in its economic work:

-- Steady growth of the economy at an average annual rate of more than 6 percent. It is expected that the gross national product will show an average annual growth rate of 15.6 percent. Such sustained growth is unprecedented.

-- The ratio among major economic sectors has grown more balanced. During the "Sixth 5-Year Plan" period, the growth of industrial production was quicker than that of agricultural production, while the development of light industry was more vigorous than that of heavy industry. At present, the ratio of industry to agriculture in Guangdong is 7 : 3, that of light to heavy industry is 6.5 : 3.5, and that of accumulation to consumption is 3 : 7. These figures are relatively suited to the province's conditions.

-- The forces of production have grown through technological transformation and the updating of equipment in the existing enterprises. The investment in capital construction during the "Sixth 5-Year Plan" period increased by 137 percent over the "Fifth 5-Year Plan" period, and the investment in technological transformation and equipment updating jumped by 780 percent. The total amount of investment of technological transformation reached 3.4 billion yuan, with the stress on the energy, food-processing, electronics, raw materials, textile, and other light industries.

-- An open, export-oriented economic structure has been formed. During the past 5 years, the province has built three special economic zones and opened up Hainan Island, Guangzhou City, Zhanjiang City, and the Zhu Jiang Delta to the world. This has formed some open areas of different types and levels. More than 50,000 contracts for the introduction of foreign funds were signed and the amount of foreign funds put to use totaled $2.3 billion. During the period, the volume of exports increased at an average annual rate of 4.7 percent.

-- The circulation system has been initially reformed. With the state and collective economies as their main body, different economic sectors developed in varied forms of business operations and through various channels, thus enlivening markets in the urban and rural areas. The total volume of retail sales in 1985 reached 31.1 billion yuan, a rise of over 100 percent over 1980. During the "Sixth 5-Year Plan" period, it increased at an average annual rate of 17.1 percent, much higher than the percentage in the "Fifth 5-Year Plan" period.

-- There has been a further rise in the people's living standards. Average per capita consumption of the province's residents rose to 426 yuan in 1985. After allowing for increases in prices, it still increased by 41 percent over 1980. The consumption structure of urban and rural residents has changed, with the expenses for food decreasing and the outlay for culture, education, and services increasing. Housing conditions for urban and rural residents also improved somewhat and their bank savings in 1984 increased by 269 percent over 1980.

Stresses Opening, Work Plans

HK0911 Beijing ZHONGGUO XINWEN SHE in Chinese 1435 GMT 7 Jan 86

[Text] Guangzhou, 7 Jan (ZHONGGUO XINWEN SHE) -- During the Seventh 5-Year Plan period, Guangdong Province will continue to carry out reform in a deepgoing way, further open up to the world, build more key construction projects, and stimulate agricultural production. This was proposed by Governor Ye Xuanping in an article carried in the first 1986 issue of KAIFANG, which is to be published tomorrow.

Ye Xuanping points out: During the "Seventh 5-Year Plan" period, Guangdong Province should place reforms above all else. In undertaking a comprehensive reform of the economic structure in 1986 and 1987, first and foremost we should invigorate the enterprises, improve the relationship between the "role of the macroeconomy" and "that of the microeconomy," and reform planning, industry, agriculture, commerce, foreign trade, finance, pricing, and personnel work so that they will be able to supplement each other. We should also digest what has been reformed, and discard the dross and select the essential so as to improve our reform work step by step. Meanwhile, we must intensify the role of such economic levers as pricing, credit, taxation, and the rate of exchange. Further efforts should be made to cope with such problems as an excessively high rate of industrial development, overextension of fixed assets, an imbalance between credit receipts and payments, a steep rise in consumption funds, and the quick departure of foreign exchange so that the economic activities will not be too strained and more room will be given to reforms.

Referring to the building of the coastal open areas, the three special economic zones, Hainan Island, Guangzhou City, Zhanjiang City, and the Zhu Jiang Delta, Ye Xuanping says that we must proceed from actual conditions, give full play to their advantages, and define the orientation and targets for their development. In opening up to the world, Hainan Island suffered due to lack of experience, but it has made tremendous efforts. After drawing lessons, it should continue to make progress. In line with the "trade-industry-agriculture" principle, Guangzhou, Zhanjiang, and the Zhu Jiang Delta should redouble their efforts to develop an "export-oriented" economy and earn more foreign exchange through exports. They should shift the focus of foreign investment funds and imported technology to the development of energy, transportation, the raw and semifinished materials industry, the technological transformation of existing enterprises, and "foreign exchange earning" projects.

Ye Xuanping says that energy and transportation are the weakest links in Guangdong's economy. During the "Seventh 5-Year Plan," we must therefore concentrate our manpower, financial capacity, and material resources on building a number of energy, transport and telecommunications projects. In energy, we must mainly increase power supply and try to keep supplying a total of 1.5 or 2 million kilowatts in power-generating capacity. In transportation, we must stress the building of highways, in particular the building and rebuilding of the highway network with Guangzhou as its center. The traffic congestion in east and west Guangzhou must first be improved by speeding up the building of the superhighway and arterial highways around Guangzhou. In the building of railways, efforts must be made to build and rebuild the Hengyang-Guangzhou line, the Sanshui-Maomin line, and the Guangzhou-Shenzhen line, and to expedite the preparatory work for the Guangzhou-Meixian-Shantou line. Meanwhile, attention must be paid to improving inland water transportation in Guangdong.

Ye Xuanping also points out that the foundation of Guangdong's agriculture is not solid enough. In readjusting the agricultural mix, all areas should therefore, reduce no more grain acreage.

We must achieve the comprehensive development of agriculture, forestry, animal husbandry, sideline products, and fishery on the premise of a steady growth of grain production. In developing the mountain areas, we must promote afforestation, grow more fruit trees, and expand diversified production activities.

Finally, Ye Xuanping stresses the importance of talented people. He says that during the "Seventh 5-Year Plan," Guangdong should attach greater importance to the development of intellectual resources, pay attention to education and scientific research work, enhance the quality of people, and promote cultural and ideological progress.

GUANGDONG SECRETARY SPEAKS AT RURAL CONFERENCE

HK141412 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Jan 86

[Excerpts] In the year ahead, it is necessary to persist in reform, to consolidate achievements, and to work hard to take another important step in future reform. This was the demand put forward by the conference on rural work which was held by the provincial CPC Committee in Guangzhou from 8 to 14 January.

This conference conveyed and studied the spirit of the central authorities' conference on rural work and made arrangements for party rectification in rural areas this year.

At the closing ceremony held this morning, Comrade Lin Ruo, secretary of the provincial CPC Committee, made the summation report.

At the conference, provincial CPC Committee Deputy Secretary Guo Rongchang made a report on conveying the spirit of the central authorities' conference, and provincial Advisory Commission Vice Chairman Du Ruizhi talked about his experiences in taking part in rural work. Vice Governor Ling Botang talked about his views on certain issues on implementing Document No 1 of the central authorities, and provincial CPC Committee Deputy Secretary Wang Ning made a report on resolutely implementing the circular of the Central Commission for Guiding Party Rectification on really doing party rectification well in the rural areas.

The conference analyzed the situation of the rural areas in our province and held that the situation of the rural areas in our province was very good in 1985. Except for the reduction in grain production mainly due to natural disasters last year, the production of other crops generally increased. Forestry, animal husbandry, sideline production, and fisheries developed in an all-round way. The gross agricultural output value was 7 percent more than in the preceding year and the total income of the township and town enterprises recorded an increase of 42 percent. In the wake of the development of the secondary and tertiary industries, peasants' income increased remarkably. The per capita income reached 495 yuan and was 70 yuan more than in the preceding year.

The conference pointed out: At present, the rural areas are entering the new stage of developing commodity production. Therefore, in accordance with the characteristics of the commodity economy, it is essential to conscientiously lead the development of rural commodity production.

The conference held: Our province must continue to persist in grain production and must by no means relax the basic guiding principle of agricultural production -- grain production -- while vigorously developing diversification. We must correctly handle the relationship between grain and industrial crops so that they can promote each other and develop in a coordinated way. In the course of readjusting the production structure, we must implement the principle of mainly stabilizing the grain areas and slightly readjusting them.

The conference held that it is imperative to vigorously develop township and town enterprises and to implement the principle of simultaneous development by the collective and individuals. The conference demanded that financial departments at all levels increase their funds for developing agriculture. The conference stressed that it is necessary to persist in protecting arable land and to deal strictly with actions decreasing arable land and even buying and selling arable land. The conference held that it is essential to grasp unimpeded circulation as an important link of developing commodity production and to set up the circulation network between the urban and rural areas through many channels. It is imperative to open wholesale markets for agricultural and wholesale markets in the urban areas, communications centers, and fairs, and to organize business through many channels in a planned way. We must advocate the coordinated process of production and marketing and reduce the intermediate links as much as possible.

The conference made arrangements for party rectification work in the rural areas in our province. The conference demanded: CPC committees at all levels must grasp party rectification in the rural areas as a great project of building the two civilizations in the rural areas, be determined and make great efforts to give careful guidance, and really do party rectification work well.

MEASURES TO IMPLEMENT DOCUMENT NO 57 IN HAINAN

HK131326 Haikou Hainan Island Service in Mandarin 0400 GMT 12 Jan 86

[Excerpts] The Hainan Regional CPC Committee has adopted effective measures to implement Central Document No 57. The measures completely eliminate rottenness in organs and uphold the practice of being honest when serving the people.

After Central Document No 57 was made known to the lower level, the regional CPC Committee promptly held a meeting of Standing Committee members and responsible people of the regional government. The participants studied the document, measured themselves by the standards of the CPC Central Committee, and discussed ways of implementation.

The meeting held: Central Document No 57 conveyed the important instructions of the CPC Central Committee and the State Council. It seriously criticizes several major problems in the present organ work style and points out their harmfulness. Party committees at various levels must attach great importance to the matter and adopt effective measures to implement promptly the document down to the grass roots. They should completely eliminate rottenness in organs, as well as carry forward the practice of being honest and observing the law so as to ensure smooth progress in the region's development and reforms.

In the course of implementing the document, the regional CPC Committee has adopted three measures:

First, it formed a responsible organization and strengthened the leadership over the work. It formed a 3-member leading group whose members are Dong Fanyuan, deputy secretary of the regional CPC Committee; Plan Qiongxiong, secretary of the Standing Committee and Discipline Inspection Commission; and Chen Yinghao, responsible person of the regional government. It also instructed the regional CPC Committee Office for Party Rectification to handle the practical work with the help of the regional government office. The 3-member leading group has worked out plans to ensure that the organizations implement the central document.

Second, it organized a study meeting and heightened understanding. The regional CPC Committee held a meeting for cadres of regional organs' at and above deputy department head level, at which Secretary Yao Wenxu read out Central Document No 57. He also made a report on mobilization. He urged all party members and cadres to study seriously and implement the document.

Following the convention of a provincial telephone conference on implementing Central Document No 57, the regional CPC Committee that night promptly held a meeting of Standing Committee members and responsible people of the regional government. The participants studied and discussed the document. They decided to convey the instructions of Secretary Lin Ruo made at the telephone conference down to the party members, cadres and workers.

Third, the region measures itself by the central standards and implements the document in detail. Judging from the situation that over 50 regional organs, as well as some cities and counties, are measuring themselves by central standards, the region has made gratifying achievements in the following areas: First, all units have followed the regional government regulations on utilizing motor vehicles; second, the units concerned strictly handle applications for sending personnel overseas; third, the region has preliminarily overcome the issue of traveling at the expense of public funds; fourth, most units follow the regulations on entertaining and presenting gifts to guests.

GUANGXI TELEPHONE CONFERENCE ON PUBLIC SECURITY

HK101531 Nanning Guangxi Regional Service in Mandarin 1100 GMT 8 Jan 86

[Excerpts] On the evening of 6 January, the regional people's government held a telephone conference to demand that all places seriously do well in grasping public security work around the Spring Festival. The conference was presided over by Wang Rongzhen, vice chairman of the regional people's government. Wei Chunshu, chairman of the regional people's government, spoke at the conference. Comrade Wei Chunshu pointed out: Last year, all places throughout the region did a lot of work in cracking down on serious crimes and serious economic crimes and in comprehensively tidying up social order. Social order has steadily improved. However, around the Spring Festival, communications and transportation will be busy, the number of people moving around will greatly increase, the number of mass cultural and physical cultural activities will be large, and various kinds of crimes and accidents are liable to occur. To allow the masses to spend Spring Festival safely and to create a more stable social environment for the building of two civilizations, all places must now do well in grasping five aspects of work:

1. It is necessary to promptly and vigorously crack down on serious crimes and serious economic crimes.

2. Before the Spring Festival, CPC committees and governments of all places must organize in a unified way and seriously carry out a large-scale inspection of safety, really carry out the measures to prevent thefts, fire, and accidents, and implement the system of responsibility.

3. CPC committees and governments at all levels must seriously organize the railroad, communications, and public security departments to really do well in passenger and freight transportation safety around the Spring Festival. Safety education must be seriously conducted for the passengers who travel around the Spring Festival.

4. It is essential to ensure the safety and good social order of the mass cultural and physical cultural activities around the Spring Festival.

5. It is imperative to solve seriously public security problems and to settle promptly disputes among the masses.

SICHUAN MILITARY LEADER URGES FIGHTING MALPRACTICES

HK131248 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Jan 86

[Text] According to SICHUAN RIBAO, at a recent meeting of the Standing Committee of the provincial military district CPC Committee, Gao Shuchun, CPC Committee secretary and political commissar of the military district, once again stressed that fighting malpractices by first dealing with the malpractices of administrative organs is an important measure for bringing about a basic turn for the better in the party style of the whole military district.

After seriously analyzing the situation of party style in the military district, the Standing Committee of the military district CPC Committee decided to first deal with the malpractices of leaders and administrative organs. It explictly called for dealing with cases one by one centered on eliminating the malpractices of [words indistinct], inviting others to dinner parties, and interceding for others, and malpractices in production and business operations. The Standing Committee members of the military district CPC Committee have not only paid attention to setting a good example themselves, but have also adopted the following three measures to investigate and deal with various malpractices.

1. They have mobilized administrative organs to carry out appraisal of CPC committees through discussions.

2. They have established the responsibility system in the management of party style.

3. They have organized party members to review party style after party rectification. For example, on the issue of buying imported limousines, in the past the military district CPC Committee believed that the purchase target was assigned by the provincial authorities and therefore not a malpractice. After raising their consciousness, they have reported the purchased Nissan limousines to higher authorities for disposal. As for the malpractice of some people asking for job transfers and readjustment in the positions of their sons, daughters, and relatives, the Standing Committee of the military district CPC Committee has adhered to measuring people with one yardstick. Those who do not meet requirements have not been transferred or had their positions readjusted without exception.

XIZANG CIRCULAR ON GUARDING AGAINST UNHEALTHY TRENDS

HK131314 Lhasa Xizang Regional Service in Mandarin 1130 GMT 11 Jan 86

[Text] The regional Discipline Inspection Commission has issued a circular, demanding that CPC committees and cadres at all levels, particularly party member leading cadres, strictly guard against unhealthy trends and violations of law and discipline in structural reform.

The circular says: In accordance with the spirit of the enlarged meeting of the regional CPC Committee Standing Committee, structural reform in our region has commenced. This is an important measure for guaranteeing the implementation of reform, for opening up, and for enlivening the economy in our region. To thoroughly change the top-heavy state and to make the establishment of organs more rational and more beneficial to the development of economic construction, CPC committees at all levels must really strengthen leadership and, proceeding from realities in Xizang, do well in grasping structural reform. Leading cadres must take the lead in setting an example and earnestly practice what they advocate. Moreover, they must organize cadres to seriously study, to heighten their understanding, to overcome and correct some muddled concepts and confused ideas, and ensure the carrying out of work and reform without neglecting either.

The circular stresses: During structural reform, all unhealthy trends such as people taking the opportunity to amalgamate and abolish organs to make others join the party, to promote cadres, posts, and grades, and to promote workers to cadres must be strictly prohibited. Unhealthy trends such as people privately sharing and handling the state property at will, people indiscriminantly issuing bonuses, materials, and souvenirs, under any pretext and people spending public funds to give dinners and gifts or to indulge in extravagant eating and drinking must be strictly prohibited. Unhealthy trends such as extravagance, waste and violations of discipline must be strictly prohibited. During structural reform, it is necessary to abide by organizational discipline. Cadres' leaving or remaining at their posts, including retirement and transfer, must be subordinated to the decision of their organizations. All disorganized and undisciplined phenomena of doing a favor for others, cottoning up, getting in by the back door, and willfully making trouble are by no means allowed.

In conclusion, the circular points out: Beginning now, discipline inspection departments at all levels must regard the prevention of unhealthy trends and violations of discipline in the work of structural reform as an important matter and grasp it. They must help CPC committees seriously do this work well to guarantee the smooth progress of structural reform. We must not only severely deal with unhealthy trends and violations of discipline in structural reform but also investigate and affix the responsibility of leaders concerned. We should not be indulgent toward unhealthy trends and violations of discipline and allow them to be repeated.

LHASA ELIMINATES VESTIGES OF CULTURAL REVOLUTION

HK131300 Lhasa Xizang Regional Service in Mandarin 1130 GMT 11 Jan 86

[Text] Chengguan District in Lhasa City has scored marked achievements in eliminating the vestiges of the Great Cultural Revolution. By 27 December last year, 6 general offices of this district and all bureaus and offices directly under the district had removed some 8,700 pieces of outmoded posters, paintings, photographs, citations, and letterhead paper; some 360 silk banners, and 57 seals.

Chengguan District has stressed the work of eliminating the vestiges of the Great Cultural Revolution and taken a series of measures. They came to understand that the elimination of the vestiges of the Great Cultural Revolution is not a minor matter which can or cannot be done at discretion but is a matter of principle of whether or not we keep in line with the central authorities and whether or not we have iron discipline. It is a practical action of doing well in negating the Cultural Revolution, in eliminating leftist ideological influence, and in straightening out the ideological line. Specifically they have organized 6 leadership groups under which there are 26 work groups for eliminating the vestiges of the Great Cultural Revolution. These work groups have gone deep into urban and rural areas and grasped this work from above to below and to the end.

The work of eliminating the vestiges of the Great Cultural Revolution is vast in scope and large in amount. To do this work well, the leaders and the masses of Chengguan District, Lhasa City, must act together. In light of the confused ideas in the mind of some people, they have carried out repeated publicity, done in-depth ideological and political work, and convinced people by reasoning. They have regarded the process of eliminating the vestiges of the Great Cultural Revolution as a process of conducting education in eliminating the Great Cultural Revolution so that some people have changed from the situation that I am required to eliminate them to the situation that I want to eliminate them. They have conscientiously supported and vigorously coordinated this work, and done the work of elimination in a down-to-earth manner.

XIZANG PROPAGANDA CHIEF DISCUSSES CURRENT TASKS

HK130537 Lhasa Xizang Regional Service in Mandarin 0100 GMT 13 Jan 86

[Excerpts] The Propaganda Department of the Xizang Regional CPC Committee held a meeting of leading cadres of propaganda system units on the afternoon of 11 January to exchange information and views and conduct in-depth study in going further in three respects [in negating the Cultural Revolution, in eliminating leftist ideological influence, and in correcting the ideological line]. Li Weilun, director of the department, gave important views on further conveying and implementing the spirit of the enlarged meeting of the regional CPC Committee Standing Committee. He gave the following seven views on this topic:

1. The propaganda system must take the lead in solving problems in going further in three respects and in correcting party style. This is determined by the nature, tasks, and responsibilities of the propaganda system.

2. It is necessary to take eliminating leftism as the point of breakthrough. At present we must focus on grasping two cardinal links: listing the expressions of leftism and finding out the causes of leftism.

3. We must simultaneously study and take action and translate study into action.

4. Conveying, studying, and implementing the spirit of the enlarged meeting of the regional CPC Committee Standing Committee must be done in conjunction with studying the speeches of Hu Yaobang and other leading comrades at the gathering of central organ cadres. In connection with the major review of party style, the region's propaganda units must take the lead in straightening out party style and set an example for the whole region with their lofty mental outlook and fine work style.

5. Seriously grasp the work of eliminating the vestiges of the Great Cultural Revolution. This is a serious political task. The leading comrades of each unit must attach great importance to this work, check on it personally, and pay attention to inspecting and supervising the work in their subordinate units. Through eliminating the vestiges of the Great Cultural Revolution, we must conduct education for the cadres and masses in totally negating the Great Cultural Revolution.

6. Strengthen leadership and implement in-depth the work of conveying and implementing the spirit of the enlarged meeting of the regional CPC Committee Standing Committee. We must pay attention to grasping, analyzing, and solving problems of understanding among the cadres and masses. We must guide everyone's attention into creating a new situation. We must provide prompt guidance for certain muddled and one-sided ideas, and conduct appropriate ideological and political work to eliminate people's worries. This will help people to unite and work together to create a new situation.

7. On the basis of reviewing last year's work, we must make proper arrangements for this year's work.

BEIJING SECRETARY AT SPECIALIZED ADVISERS' MEETING

SK130819 Beijing BEIJING RIBAO in Chinese 27 Dec 85 p 1

[Excerpts] "More than 1,000 specialized advisers of the municipal government have contributed to the fulfillment of the municipal "Sixth 5-Year" Plan, and have exerted efforts toward the building of the material and spiritual civilizations in the capital. The leaders at all levels should earnestly listen to the opinions of advisers, strengthen the work of urging experts to make policy decisions and render consulting services, and promote the four modernizations drive of the capital." Li Ximing, secretary of the municipal CPC Committee, made the above statement at the first municipal government-sponsored meeting on summing up the work of specialized advisers which was held yesterday. Comrades Chen Xitong, Han Boping, Lu Yucheng, Zhang Jianmin, Huang Chao, Wang Xian, and Zhang Peng attended yesterday's meeting.

Since 1983, the municipal government and the specialized bureau (general company) as well as their subordinate units have successively employed more than 1,100 experts, scholars, and engineering and technical personnel to serve as advisers. The various districts, counties, and their subordinate units have also employed nearly 7,000 specialized advisers and various kinds of specialized technical personnel. Over the past 2 years, these specialized advisers have actively engaged in giving technical proof and policy decisions, offering suggestions and serving as advisers to the municipal government and various departments and units. They have raised more than 500 important suggestions, of which 300 have been accepted. They have also been of great social benefit and have scored remarkable economic results. This year, members of the advisory group have gone deep into the rural areas on several occasions and raised feasible suggestions for developing and utilizing the middle- and low-yield fields in the suburban areas of the municipality. Under the situation in which the wheat sowing acreage has dropped, the suburban areas' average per-mu yield of wheat still reached 512 jin and the total output is expected to reach 1.45 billion jin.

After the meeting, the municipal government presented certificates of honor to the specialized advisers.

HEBEI'S XING CHONGZHU INVESTIGATES IN CHENGDE

OW131824 Beijing XINHUA Domestic Service in Chinese 0842 GMT 9 Jan 86

[Excerpts] Shijiazhuang, 9 Jan (XINHUA) -- Newsletter: A Thousand-Li Tour Beyond the Great Wall in Chilly Weather

-- On Xing Chongzhi, secretary of the Hebei Provincial Party Committee, Investigating Chengde Prefecture

By HEBEI RIBAO reporter Chou Lianzhong and XINHUA reporters Li Rongkun and Ren Xianliang

After the winter began, heavy snows covered all Chengde Prefecture in the Yanshan Mountains. Riding in a jeep, Xing Chongzhi, secretary of the Hebei Provincial Party Committee, passed between the 1,000-li windy and snowy Yanshan Mountains to visit the masses and conduct investigation and study.

"I Don't Want To Hear How Well You Report, I Want To See How Much You Have Done."

Xing Chongzhi's visit to Chengde Prefecture took in five counties. He visited 23 townships, 25 villages, 49 peasant households, 6 middle and primary shcools, and 5 rural enterprises. He conducted investigation at grass-roots units by day and heard local cadres' reports by night.

On the 17th day of the 10th month on the lunar calendar, Xing Chongzhi arrived in Kuancheng County. As soon as the county leader met Xing Chongzhi, he wanted to make a work report to him. Xing Chongzhi humorously said: "I don't want to hear how well you report, I want to see how much you have done. Let me take a look at grass-roots units first before hearing your report!"

"Grasp the Practicable, and You Can Create a New Situation."

On the 14th day of the 10th month on the lunar calendar, Xing Chongzhi braved the severe cold to visit Wafang Village in Longhua County. He called on nine families and found eight of them did not have adequate food to eat. He also found there were 48 unmarried men, aged from 26 to 80, in the village. Even in 1985 the village's average per capita income was less than 60 yuan. Witnessing the impoverished masses of this village, he was in a serious mood. At a discussion meeting with cadres and masses, he asked: "What is the most difficult problem in your village? What is the problem whose solution may invigorate your village?" The village's cadres and masses answered: The most difficult problem is the lack of electricity. Without electricity, agriculture and animal husbandry cannot be developed well; industry and sideline production are out of the question. There are high-voltage transmission lines only a li away from the village, and it will cost only 10,000 yuan to connect the wires. However, where can a poor village like ours get the money for electricity when we do not have enough food to eat! Hearing this, Xing Chongzhi said to the county leader: "In the past we appropriated large funds to aid the poor, but the way we used the funds was scattered and ineffective. Wafang Village only needs 10,000 yuan to have electricity to invigorate the economy, yet the problem has remained unsolved. The crux of the question still lies in our cadres' failure to grasp the practicable." Later, the county leader quickly studied the question of Wafang Village's electrication project and allocated 10,000 yuan from the working fund to help this village lay tansmission lines. The project is now in full swing, and the village is expected to have electricity before the Spring Festival.

HEBEI CITY CPC SETS UP NEW LEADING BODY BY ELECTION

SK141217 Shijazhuang HEBEI RIBAO in Chinese 27 Dec 85 p 1

[Text] On 26 December, the Zhangjiakou City CPC Committee set up a new leading body through conducting a democratic election. Liu Shanxiang [0491 0810 4382] was elected secretary of the city party committee and Wang Changhan [3769 2490 3352], Tian Zhentian [3944 7201 3944], Du Shuxiang [2629 2579 4630], and Liu Jiansheng [0491 0256 3932] were elected deputy secretaries of the city party committee. Of the 12 new Standing Committee members, 8 have cultural standards at or above the college or junior college level, and account for 66.7 percent of the total number of members. Their average age is 47.5 years old.

The Fifth CPC Congress of Zhangjiakou City was held from 24 to 26 December.

NEI MONGGOL SECRETARY ON OLD REVOLUTIONARY BASES

SK100512 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Jan 86

[Text] On 7 January Zhou Hui, secretary of the autonomous regional CPC Committee, delivered a speech at the regional work forum on developing the areas that were used as bases during the revolutionary wars, calling for accelerating the pace of carrying out construction in these areas in order to change their outlook as soon as possible.

In his speech, Comrade Zhou Hui stated: Accelerating the pace of carrying out construction in these old revolutionary bases constitutes an issue not only concerning the economy, but also closely relating to policy. During the more than 30 years since the founding of the PRC, since the 3d Plenary Session of the 11th CPC Central Committee in particular, the economic situation in these old base areas throughout the region has witnessed a profound change, and the conditions of their production and livelihood have been steadily improved, enabling these areas to score certain achievements in economic construction.

In his speech, Comrade Zhou Hui stated: Most localities in these old base areas are still poor because of the reasons created by the process of history and the development of the economy, by the natural conditions, the problems cropping up in work, and the shortage of voluntary efforts. This urges us to strengthen our work to bring about a change as soon as possible in the outlook of these old base areas.

The leading personnel of the party and government organs at all levels should deeply carry out investigation and study, analyze their situations, and face their difficulties squarely. They should discover the localities that have made a success in construction and the problems that have been hard to deal with. They should also pay attention to the sources of the principal problems and work out measures to deal with them.

In his speech, Comrade Zhou Hui stated: The work on dealing with the affairs of the old base areas is inseperable form the party's central work. Therefore, by bearing in mind the practical problems of these old base areas, we should study and master the party's principles and policies and sum up our past lessons and experience in order to improve our ability in discovering, analyzing, and dealing with problems as well as the standard of our understanding of Marxism, Leninism, and Mao Zedong Thought.

Efforts should be made to ferret out both subjective and objective reasons for the problems cropping up in production and livilihood in line with the principle of seeking truth from facts, and to deal with them by relying the masses. The industries and trades as well as the departments concerned should all the more improve their ability in doing things in line with the principle of seeking trugh from facts and relying on the masses.

In his speech, Comrade Zhou Hui stated: To make a success in conducting the work in these old base areas, first of all, we should successfully deal with the issue concerning understanding the significance and importance of conducting construction in these areas. Efforts should be made first to deal with the issue of being dressed warmly and eating one's fill, and, then, to seek economic development. This is a serious matter. So, we should bring about a new change in these old base areas before the 40th anniversary of the founding of the autonomous region.

In referring to the issue of how to change the outlook of these areas as soon as possible, Comrade Zhou Hui pointed out: In summing up the past lessons and experiences, first of all, we should adopt correct principles, follow the correct road, and bring into play the vitality of of these old base areas. Efforts should be made to (?create a trend of progress instead of pursuing other's progress).

In particular, we snould arouse the cadres and the masses in these old base areas to foster a will to change their outlook by themselves, to firmly grasp the existing major difficulties in line with their local conditions, and to conduct their work step by step by chiefly relying on themselves, focusing on the long-term target, and setting about their work of dealing with the immediate questions. By depending on relief or the state, it is impossible for any locality to have a brilliant and manificent future. Such a law of things has (?a far-reaching significance).

In his speech, Comrade Zhou Hui pointed out: Of course, the support provided by the state policy is also necessary. Therefore, efforts should be made to relax the restrictions on the policies, to resolutely give economic support, and to spend the limited funds on real necessities.

Localities and the departments should establish responsibility systems and map out concrete plans. They should gradually carry out their work from units on a small scale to areas on a large scale, conduct inspection and supervision simultaneously, and enforce commendation and punishment according to the work results. It is hoped that the local cadres at all levels will actively go to these old base areas to strive to start the undertaking.

SHANXI LEADER COMMENDS ADVANCED FIGURES' GROUP

HK110333 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 10 Jan 86

[Excerpt] Shanxi Provincial CPC Committee Secretary Li Ligong pointed out when meeting the members of the provincial report group of advanced figures that the education is a good form of strengthening ideological and political work and good material for education in ideals and discipline. We should sing the song of politics loudly and well.

Before the group gave its first report meeting on the morning of 10 January, responsible comrades of the party, government, and Army in Shanxi received all members of the group in the Hubin Guesthouse in Taiyuan and asked about their work and daily life.

HEILONGJIANG'S SUN WEIBEN LAUDS VILLAGE'S EXPERIENCES

SK150430 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 12 Jan 86

[Text] (Jinguang) village in Suiling County's (Hexi) Township has been praised by Sun Weiben, secretary of the provincial CPC Committee, for developing sideline production to make up for agricultural production, which has made the village experience simultaneous increase in agriculture and sideline production and achieve common prosperity.

Surrounded by hills, abounding in gold deposits, and inspired by the party policy on encouraging the people to become prosperous, the village has effected a great upsurge in gold mining. In 1984 the village contracted more than 700 mu of fields, excluding the food grain plots, to 3 skilled farmers. Although these three farmers worked very arduously, their average income is still 1,000 yuan less than that of peasants engaging in industrial sideline production. Therefore, the village has decided to take 5,400 yuan from the income earned from industrial sideline production to subsidize grain growers. Whenever they sell one jin of grain, the grain grower will be monetarily subsidized with 5 fen. [Sentence indistinct] This village has also helped grain growing households develop the family-based breeding industry. In 1985 the per-capita income of the village was 1,490 yuan, and the income of grain growers also approached this figure.

On the morning of 10 January, when making an inspection tour of Suiling County, Sun Weiben, secretary of the provincial CIC Committee and Zhou Wenhua, deputy secretary, visited (Jinguang) village. They affirmed the methods of the village after hearing the report by (Dong Yuhun), secretary of the party branch of the village.

HEILONGJIANG HOLDS FORUM ON PARTY ORGANIZATIONS

SK150200 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 13 Jan 86

[Text] The work forum on building party organizations, attended by representatives of the organs throughout the province, concluded on 13 January. The forum urged the organs at or above the county level across the province to enhance their work of building party organizations and to deal well with problems cropping up among the leading organs with regard to party style. The forum also urged them to achieve good results in their work by the end of 1986, to be examples in the work for the grassroots-level units, and to create a favorable trend of achieving a fundamental turn for the better in party style.

The forum held that since the beginning of the party rectification drive, the party organizations of various organs had done a great deal of work. However, they are still incurring some problems that brook no ignorance. Therefore, it is imperative to fully discern the importance of enhancing the work of building party organizations in the new historic period, and to exert all-out efforts to grasp well the construction of party organizations in organs in line with the demands set forth by the CPC Central Committee Secretariat and the provincial CPC Committee in order to accelerate the pace of achieving a fundamental turn for the better in party style.

The forum emphatically pointed out that we should enhance the work of building the party organizations of organs by paying attention to the following four tasks:

1. A good job should be done in earnestly conducting education on Marxist theory, party spirit, science and culture, and specialized knowledge among party members.

2. Efforts should be made to improve party style among the organs and to encourage leading cadres to set an example in improving party style.

It is necessary to establish responsibility systems in improving party style in order to make progress in a down-to-earth manner in this regard among the leading organs at or above the county level and to achieve good work results by the end of 1986. The provincial-level organs must set examples and play a leading role in this regard for all organs throughout the province.

3. Efforts should be made to bring into full play the supervisory and coordinative role of the party grassroots-level organizations in organs and to strictly consolidate the party's organizational life.

4. Efforts should be made to uphold standards in recruiting party members and to do a good job in developing party members.

JILIN BUILDS COMMODITY GRAIN BASES, RAISES OUTPUT

OW091046 Beijing XINHUA in English 1030 GMT 9 Jan 86

[Text] Changchun, January 9 (XINHUA) -- Six counties in northeast China's Jilin Province have been built into commodity grain bases, according to a provincial official in charge of agriculture.

This has enabled the province to obtain a 1.8 percent increase in agricultural output value in 1985 in spite of flood damage to the crops. Statistics show that the average annual grain output of the six counties over the past three years totalled 5.85 million tons, accounting for 42.7 percent of the provincial total. They sold 9.67 million tons of grain to the state in the same period.

Jilin, with 5.35 million hectares of farmland, is one of China's major commodity grain producers. In 1984, Jilin was on top of all provinces for its average amount of grain per capita which was 700 kilo. As a result of the application of advanced agricultural technology in the six counties over the past three years, there has been a 10 percent increase in grain output, said the official. This has also brought about an annual per capita income of 440 yuan for the local peasants, an increase of 215 yuan over 1982.

The construction of the six bases has promoted the comprehensive development of agriculture, the official said. The output value of forestry, animal husbandry, sideline products and fisheries in Jilin accounted for 40 percent of the province's total agricultural output value last year. About 80,000 rural enterprises were developed in the same year. Together with animal husbandry, their output value accounted for 58 percent of the whole agricultural sector.

SHAANXI LEADER ON PROBLEMS IN 9-YEAR EDUCATION SYSTEM

HK120323 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 11 Jan 86

[Text] Vice Governor Lin Jizhou recently said in an interview with reporters that it is essential to seek truth from facts and act in light of local conditions in introducing 9-year compulsory education; there must be no blind competition or headlong rush into mass action.

Comrade Lin Jizhou said: There is no doubt that instituting 9-year compulsory education is an extremely important and urgent task. We must therefore have a sense of responsibility in carrying it out. We must eliminate negative fear of difficulties and advocate the spirit of positive advance.

However, certain preconditions are necessary for instituting this system; and there are big imbalances between economic and cultural development levels in different places. We are bound to cause unfavorable consequences for the development of education if we fail to base our efforts on local realities and to seek truth from facts but instead rush headlong into mass action in this undertaking.

Due to the influence of leftist thinking, for many years some of our comrades have been accu tomed to lateral competition heedless of the objective conditions; they have blindly pursued high targets and speed. Although their intentions are good, the results are always undesirable. The past practice of upgrading primary schools and having them run secondary school classes caused very great losses to education. We must always remember this lesson.

Comrade Lin Jizhou stressed: The primary schools are the foundation in introducing 9-year compulsory education. If we blindly speed up the construction of junior secondary schools irrespective of the objective conditions, we will intensify the shortage of people, money, and material. In the end, not only will 9-year compulsory education be almost impossible to attain, but even the introduction of universal primary education will be affected.

In judging whether a place has done well in education work and in whether it has scored success in introducing universal 9-year compulsory education, we do not look to see whose slogans are the loudest and targets the highest, but at how many practical things have been done for education and how many specific difficulties have been solved.

The current greatest difficulties in introducing universal 9-year compulsory education are the lack of financing and the building of a qualified teacher force. Hence, while implementing their plans, all localities must calculate whether the pace of education development is in accord with local economic development, and make a correct estimate of financial feasibility and the masses' ability to bear the burdens. They must also calculate whether the number and quality of the teachers will be enough to meet requirements, and how great is the local ability to train teachers.

Comrade Lin Jizhou held: In seeing whether a locality can switch from introducing universal primary to universal junior secondary education in introducing universal 9-year compulsory education, we must see whether four basic conditions exist: 1) Universal primary education has been introduced. 2) There are suitable premises for junior secondary schooling. 3) There is teaching equipment able to meet the demands of demonstrations and experiments, together with books and facilities needed in junior secondary education. 4) Over half the teaching force have had tertiary education. Places where these four conditions do not exist should not raise the demand for introducing universal junior secondary education too early.

XINJIANG MEETING STUDIES CENTRAL LEADERS' SPEECHES

HK140305 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 13 Jan 86

[Text] The Xinjiang Regional CPC Committee convened a Standing Committee meeting this morning to seriously study and discuss the speeches of Comrade Hu Yaobang and other leading central comrades at the central organ cadre gathering. They expressed resolve to respond to the call of the CPC Central Committee and declared that the leading organs of the party, government, and Army in the region would set an example for the whole region in straightening out party style, and strive to bring about a fundamental turn for the better in party style and social mood, gradually deepen reform of the economic structure focused on the cities, and victoriously fulfill the Seventh 5-Year Plan.

The Standing Committee members unanimously pointed out during their study and discussion: It is extremely significant that the CPC Central Committee Secretariat convened a solemn gathering of central organ cadres at the beginning of this year. The speeches of the leading central comrades are bound to play a tremendously stimulating role in further drawing out the revolutionary spirit of the party members, cadres, and people and in winning new victories during the Seventh 5-Year Plan. Comrade Hu Yaobang's proposal that the central organs set an example for the whole country is not just a demand on the central organs but also on the leading organs at all levels. As the central organs should set an example for the whole country, the regional organs must set an example for the whole region with their lofty mental outlook and fine work style.

Regional CPC Committee Secretary Song Hanliang stressed: The current most important thing for the regional party, government, and Army leading organs in setting an example for the whole region is to do a good job in study. The leading organs must take the lead in studying the spirit of the speeches of the leading central comrades. In accordance with the four demands proposed by Comrade Hu Yaobang in his speech, they must firm up the work of further straightening out party style by carrying out education, mapping out systems, strictly observing discipline, investigating and dealing with major cases of crime, and putting inner-party life systems on a sound basis.

Comrade Song Hanliang called on all loyal and honest people inside and outside the party to criticize and supervise organizations and leading cadres at all levels in the region. The regional CPC Committee must regard straightening out party style as a major affair. So long as the whole party attaches importance to the work and the regional leading organs and cadres take the lead and begin with themselves, it will certainly be possible to bring about a fundamental turn for the better in party style and social mood throughout the region.

MILITARY COMMISSION DOCUMENT ON RECTIFICATION

HK141517 Hong Kong MING PAO in Chinese 14 Jan 86 p 6

["Special Dispatch From Beijing": "Central Military Commission Issues Document No 1: Party Rectification At and Below Regimental Level This Year Must Solve Four Questions"]

[Text] This year, the PLA's party rectification at and below regimental level must mainly solve the following four questions: 1) strengthening understanding of the fundamental goal of the CPC; 2) correcting understanding of the present situation and policies; 3) resolutely cracking down on malpractices; 4) strengthening the organizational construction of the CPC committees and branches. These are proposed in Document No 1 of the Military Commission of the CPC Central Committee.

Document No 1 of the Military Commission of the CPC Central Committee -- "Notice on the Work Plan for Party Rectification At and Below Regimental Level" -- was issued on 1 January. The document points out that this party rectification will involve a large number of units and party members, and will be the largest and most extensive ever. So the party committees and political departments at various levels must resolutely, seriously, and conscientiously organize this party rectification, strengthen their leadership, and accomplish this task of party rectification according to a high standard and with high quality.

Document No 1 says: "It should be noticed that most of the party members participating in this party rectification joined the party during or after the Cultural Revolution. A large number of them lack a basic understanding of the party, lack training in inner-party life, and have not had sufficient education in party theory. Some of these party members have been deeply influenced by 'leftist' ideology and have been corrupted by decadent capitalist ideology, and we have not carried out enough education among these party members. So there are a lot of problems in the party organizations and among the party members."

The document stipulates that party rectification at and below regimental level must be carried out step by step and in batches. The party rectification should first of all be carried out in the CPC committees and organs at regimental level. The party rectification at battalion and company levels can be carried out simultaneously later on. The focus of this party rectification is the CPC committees at regimental level and the grass-roots CPC branches.

The document demands that party rectification in various units must be carried out on the basis of sufficient preparation. The various units involved in the party rectification must do things strictly according to policy, and should not only solve the problems within the party but also help to maintain the stability of the units. The units involved in the party rectification must be extremely cautious in dealing with individuals. If a party member has problems concerning party style or party discipline, he should be helped conscientiously to examine correct his mistakes, and sum up experiences and learn lessons. If his mistakes are of an ordinary nature, he can be exempted from punishment. If his mistakes are serious and the masses have a lot of complaints against him, the relevant party organization should conduct a careful examination of his mistakes, and then properly deal with his case according to party policies and discipline. The party organizations should also carry out ideological work among those party members who have received disciplinary punishment, and help them to raise their consciousness, put down their ideological loads, and advance with a light pack.

MING PAO REPORTS ON GROWTH OF CONSUMPTION FUNDS

HK140333 Hong Kong MING PAO in Chinese 13 Jan 86 p 5

["Special Dispatch From Beijing": "Hidden Growth of Consumption Funds Threatens Reform and Development"]

[Text] The irrational growth of China's urban and rural consumption funds has only been temporarily checked by the "one-blow" emergency measures. However, the problem has not yet been fundamentally solved, and the "hidden growth of consumption funds" is now an irresistable trend threatening the development of the reform and social stability.

Material provided by the investigation and information department of the Industrial and Commercial Bank of China points out that the present method of controlling consumption funds is formulated according to the amount of the individuals' consumption funds withdrawn from the bank in March, 1985. And the state supervises the monthly expenditure of consumption funds on this basis. This "one-blow" emergency measure has not solved the problems in the control of consumption funds.

The material listed the main reasons for the irrational growth of consumption funds:

1. The consumption funds have squeezed production funds. Investigation of some typical cases shows that after paying taxes to the state, most of the enterprises use their profits first on the distribution of bonuses and then on development of their production. Some enterprises even overspend consumption funds or withdraw more money from the bank to use as consumption funds than they are allowed to, thus actually reducing the amount of production funds and bank loans.

2. In order to distribute more profits, some enterprises resort to deception and adopt the method of not paying for what should be paid, not dealing with damages and losses, reducing production costs and making false reports on the number of products they sell and the amount of profits they make.

3. Some units excessively use reserve funds and indiscriminately draw cash to pay salaries.

4. The proportion of the funds to be used under the economic contract system is too low and the individuals' incomes tend to be a bit too high.

5. The growth rate of the maintenance fees of the administrative units and enterprises is too high. Some units are very extravagant and have wasted a lot of money by giving dinner parties and gifts, recklessly distributing bonuses, and increasing their welfare expenditures without authorization, and so on.

6. Investment in fixed assets has increased too fast so that the funds which can be directly transformed into consumption funds have obviously increased. According to the data of experiences, every 100 yuan of investment in fixed assets can be directly transformed into approximately 30-40 yuan of consumption funds. In recent years, the excessive growth of the scope of investment in fixed assets is an important factor causing the expansion of consumption funds.

7. Funds accumulated in the society have also caused the growth of consumption funds. This can be seen in the following three aspects: 1) About 80 percent of the funds accumulated in the society is spent on capital construction, one-third of which is directly transformed into consumption funds, most of which is actually bank deposits. This actually transforms the funds which are in line with the state's comprehensive credit funds plan into consumption funds through interest rates. 2) The generally high interest rate and excessive distribution of dividends have caused the growth of

consumption funds. 3) For various reasons, a large amount of funds has been turned into finished products, thus being in a state of stagnation. So, once the people who accumulate funds demand the return of the capital plus interest, the banks can only pay them in loans, thus transforming credit funds into consumption funds.

8. Quite a number of people are engaged in speculation and profiteering activities and are trying to profit from these activities. This has formed the source of illegal consumption funds.

9. The proportion of the amount of the ex-budgeted income turned into individuals' consumption funds is a bit too high.

The so-called "hidden growth of consumption funds" mainly refers to the growth of the various state expenditures on the welfare of and subsidies for urban workers.

The material provided by the comprehensive investigation group of China's Research Institute concerning the reform of the economic structure pointed out that during the period between 1978 and 1984, China's bank expenditures on salaries increased at an average rate of 10 percent per year; state expenditures on price subsidies increased at an average rate of 36 percent per year; and state expenditures on labor insurance welfare increased at an average rate of 21 percent per year. State expenditures on the various types of welfare and subsidies for urban workers in the whole country in 1984 alone reached almost 60 billion yuan, which is equivalent to 66 percent of the state expenditures on urban workers' salaries.

The same investigation material also says: At the end of 1984, the surplus purchasing power of the Chinese citizens in the towns and townships reached nearly 200 billion yuan, the amount of which is equivalent to 60 percent of the currency income of the Chinese citizens and 36 percent of China's national income. The demand for consumption funds in the 1985 budget plan was targeted for around 80 billion yuan. Now, the continued growth of consumption funds, which accounts for almost 80 percent of the usable national income, has formed a major threat to reform, development, and social stability.

S. KOREAN, CANADIAN LINKS INCREASE TRADE WITH PRC

HK140520 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Jan 86

[By Canadian correspondent Richard Liu]

[Text] South Korea is quietly seeking Canadian companies to act as springboards to increase trade with China. Despite the absence of diplomatic ties, South Korea and China have a vigorous trade relationship estimated to be worth C$1.5 billion (HK$8.37 billion) a year. And according to a visiting senior South Korean trade official, the two countries are seeking to enlarge their trading links. Dr Kim Kih-wan, secretary-general of South Korea's International Economic Policy Council, said a Canadian businessman with a South Korean partner will find it less difficult to do business with China than a South Korean acting individually.

Dr Kim said South Korea, which is strategically positioned between China and Japan, is a good stepping stone for Canadian companies interested in entering China. He added the South Korean labour market is well-trained and relatively cheap. Canadian companies make many items suitable for the Chinese market, but because of the distance and high costs, it reduces their chances of "cracking" the market.

Indirect trade between South Korea and China is growing, he said. "And soon it won't make such difference whether the trade is direct or indirect." For example, he said Chinese carpets are found in many South Korean homes, and South Korean goods pass through warehouses in Hong Kong before landing in China, all with the approval of the

Chinese carpets are found in many South Korean homes, and South Korean goods pass through warehouses in Hong Kong before landing in China, all with the approval of the respective governments.

China requires South Korea's manufactured goods, which are not as advanced as those of Japan, because they cheaper and often better suited to the mainland's industry. South Korea uses China's natural resources, such as coal and oil, because of their competitive prices and to avoid costly transport charges. Dr Kim said it may be a long time before South Korea and China have official ties, but unofficial links will continue to grow as both countries benefit economically from the relationship.

CHING PAO INTERVIEWS SHENZHEN'S ZOU ERKANG

HK110641 Hong Kong CHING PAO in Chinese No 102, 10 Jan 86, pp 24-26

[Article by CHING PAO reporter: "What Are the Problems Currently Facing Shenzhen? -- CHING PAO's Director Talks With Secretary General Zou Erkang"]

[Text] Mr Hsu-min, director of CHING PAO, had a frank talk with Zou Erkang, secretary general of the Shenzhen City People's Government, at room 442 of the Shenzhen Overseas Chinese Hotel on the afternoon of 9 December 1985. They talked about the problems facing Shenzhen. Luo Miao, director of SHENZHEN TEQU BAO, and Mr Wang Yiming, a Taiwan businessman and the sole proprietor of the Cuihu Holiday Estate, were also present on the occasion.

Is it Advantageous or Disadvantageous To Issue the "Currency of the Special Economic Zone"?

Hsu: At the 1985 session of the CPPCC National Committee, Mr An Tzu-chieh expressed agreement with the plan to issue "special economic zone [SEZ] currency," but Mr Li Tzu-sung said that this would bring more disadvantages than advantages. At that time, my opinion was that the "SEZ currency" should be issued only after all other currencies have been recalled. Professor Qian Jiaqu originally agreed with the issuance of the "SEZ currency" but he held that this plan should be reconsidered after visiting Hong Kong and talking with some bankers there. In the previous period, the problem of black market foreign exchange speculation was serious in Shenzhen. Of course, the blame should not be laid completely on Shenzhen. Now, 10,000 to 20,000 Hong Kong and Macao compatriots enter Shenzhen each day; and 70,000 to 80,000 people from other areas of China stay in Shenzhen. Some of these people are engaged in black market currency deals and other speculative activities. According to statistics, the mainland exported some 7 billion yuan worth of goods to Hong Kong in 1984, but the actual foreign exchange income from these exports was only some 5 billion yuan. That means that more than 2 billion yuan worth of goods was exported in the form of "parallel goods" through unofficial channels, and the foreign exchange income from these exported goods was lost in the black market or still remained in Hong Kong.

Zou: The development of the special economic zone will require some 7 billion of foreign funds by the end of this century, but the foreign funds are characterized by moving in and out freely and floating up and down freely in terms of their rates of exchange. However, the economic structure of our country is inwardly oriented in general. The monetary and foreign exchange policies in line with this economic structure are: renminbi cannot be freely converted to foreign currency; there is no restriction on the entrance of foreign money, but the outflow of foreign currency is keep under strict control. These policies are naturally contradictory to the special economic zone, which must mainly rely on the use of foreign funds in its development. The more foreign funds the special economic zone uses, the more serious the currency problem will become. For example, joint venture in the special economic zone are allowed to export 80 percent of their products and sell the remaining 20 percent on the domestic market. These import raw materials and technology by paying foreign exchange. Their sales in the domestic markets have accumulated a total of 7 million yuan in the past 2 years, but there is no way of using this money in China, nor is there anyway to transfer it abroad.

The Shenzhen area is adjacent to Hong Kong and Macao. Many peasants and fishermen in Shenzhen have business connections on the other side of the border. Now, some 80,000 native residents of Shenzhen have emigrated to Hong Kong. Therefore, many people in Shenzhen have Hong Kong currency in their hands and are able to use it to buy foreign consumer goods. Under these circumstances, it will be difficult to ban absolutely the circulation of Hong Kong currency in Shenzhen for a long time. More important, in order to ensure the implementation of the special economic zone's policy of making use of large amounts of foreign funds, we cannot but adopt a temporary measure in the transition period, that is, to allow the simultaneous circulation of three currencies (Hong Kong currency, foreign exchange certificates, and renminibi) and to allow enterprises with foreign capital to keep their accounts in different currencies without needing to convert their foreign exchange income into renminibi through the state bank. However, with the development of the special economic zone, this temporary expedient will be politically and economically unfavorable to our country. Of course, the Hong Kong and Shanghai Bank and the Standard Chartered Bank are glad to see the circulation of Hong Kong currency in Shenzhen, because the currency is issued by them and they can benefit from its circulation in Shenzhen. However, in terms of our country's interests and the special economic zone's interests, it is not a long-term policy to allow the simultaneous circulation of the three currencies. Therefore, we have the intention of issuing "SEZ currency" to replace the simultaneous circulation of the three currencies. If the "SEZ currency" is issued, it will be the sole currency in Shenzhen. However, this plan has not been put into practice because there are differences of opinion on this plan.

Hsu: How much foreign currency is circulating in the special economic zones, including Shenzhen?

Zou: According to rough estimates, about HK$300 million now circulates in Shenzhen's markets, and the amount on account is much larger. In these circumstances, we can only crack down on the black market currency transactions, like those flourishing around the railway station for a time.

Hsu: Some people in Guangdong and Fujian have "privately" converted their renminbi into Hong Kong dollars and kept the money in their trunks, thinking that this may protect the value of their money. This is also a kind of black market transaction.

Zou: We have analyzed some currency black market transactions and found that 65 percent of these cases involved people who came from other areas of the country to "buy" Hong Kong currency and 35 percent of the cases involved people coming from Hong Kong to convert their money into renminbi through black market transactions in order to buy herbal medicines and other local products to take back to Hong Kong. The cases involving Shenzhen residents accounted for merely 5 percent. That means that although black market transactions have been rampant in Shenzhen, most of these illegal things were not committed by Shenzhen residents. Of course, Shenzhen's industrial and commercial administrative department failed to exercise strict management over the markets and to take strict measures against the illegal activities. We are now correcting this shortcoming.

Hsu: Apart from the above-mentioned illegal activities, some state-owned units in Shenzhen are also engaged in foreign currency transactions at a negotiated rate....

Zou: Now, the city has set up a "foreign exchange regulation center" to manage this kind of transactions. In a word, currency is a complicated issue.

"Giving a Way Out" in Order To Solve the Currency Issue

Wang: Let me tell you Taiwan's method. That is, when people enter Shenzhen, they should convert all their foreign money into renminbi. Foreign currency is not allowed to circulate. When they leave Shenzhen, they can convert the remaining renminbi in their hands back into foreign currency. Could this method solve the currency problem?

Hsu: Hong Kong and Macao compatriots and overseas Chinese have relatives in the mainland. If a Hong Kong traveler brings HK$ 10,000 into China, he may use up this amount in 1 month, but his relatives in China can give him an amount of renminbi equivalent to HK$ 8,000. So, he can claim that he has merely used HK$ 2,000 in China and legally convert the renminbi given by his relatives into Hong Kong currency.

Zou: It is also a kind of illegal currency transaction. Mr Wang's method is simple, but it is impracticable. (Hsu: the official exchange rates cannot be too far different from the black market rates, in order to curb black market transactions.) The issue that most urgently needs solving in Shenzhen is to enable foreign currency to move in and out of Shenzhen freely, because this is a necessary condition for Shenzhen to attract large amounts of foreign investments. The original solution is to issue the "SEZ currency" which can be freely converted to the U.S. dollar, the pound sterling, the Hong Kong dollar, and other foreign currencies, as renminbi cannot be freely converted to foreign money. (Hsu: You mean that it is still necessary to issue the "SEZ currency.) In a word, there must be a special monetary and exchange policy which is in line with Shenzhen's special position in "conducting construction by relying mainly on foreign funds." If we do not have a special monetary and exchange policy, our special policy for economic construction will not be feasible. We should not merely notice the HK$ 200 to 300 million now circulating on Shenzhen's markets. The most important issue we have to solve is how to bring in large amounts of foreign investment. This issue concerns the implementation of the general policy for the special economic zone.

We have made it clear to the central authorities that if we cannot issue the "SEZ currency," we are ready to adopt other effective measures as long as they can truly solve the currency issue. We cannot continue the endless controversy over such non-essential issues as whether more currencies will lead to more disadvantages. The criticism of currency disorder in Shenzhen will not help us solve the problem either. What we need is a concrete solution, a way out.

There should be a process of events if a new currency is to be issued. As we see it, in the period after the "SEZ currency" is issued, we will need the support of the central state bank. With the development of Shenzhen's economy, the new currency will be able to stand on its own feet.

Is it a Good Thing if There Are Many "Windows" in Shenzhen

Hsu: In the previous period, people found that there were many "windows" in Shenzhen. Is that another reason for the disorderly situation in Shenzhen?

Zou: In general, the "windows" set up by various ministries and provinces have played a good role. For example, the trade center, Aihua, and Huaqiang, which are run by some ministries and central departments in Shenzhen, have made major contributions to the import of technology and the use of foreign funds. However, the management of some units set up by countries or communes [as published] or lower units is poor, and most lawbreaking activities occur in these low-level units. Things have begun to improve among them too as a result of rectification in the previous period. We will gradually restore the balance of foreign exchange. (Hsu: The problem is still the existence of too many "windows.") That is the reason for our rectification.

Hsu: The "windows" have also given rise to the problem of "parallel goods."

Zou: "Parallel goods" are in fact not a problem of Shenzhen.

Hsu: However, many "parallel goods" were exported to Hong Kong through the channel of Shenzhen. Let me give you a minor example. The cost of a China-made "Dadi" brand shirt in Hong Kong is more than HK$20 and its retail price at a Hong Kong Chinese goods store is more than HK$30. But people may buy the same shirt for 7 renminbi in a Shenzhen store. That means that a Hong Kong traveler can take merely HK$10 to buy such a shirt in Shenzhen after converting his money on Shenzhen's currency black market. If he buys two "Dadi" shirts in Shenzhen and brings them back to Hong Kong, he can thus earn enough to pay his round-trip fare to Shenzhen. This is a very small transaction by an individual. In Shenzhen, many large state-owned units are sending "parallel goods" to Hong Kong in a big way, and their practice has seriously disrupted Hong Kong's market for Chinese goods.

Zou: The Jiulong Customs located in Shenzhen is directly subordinate to the State General Administration of Customs, and is not within the jurisdiction of Shenzhen City. In addition, there are many sea routes that Shenzhen cannot control. In the past, there was no system of export licenses and quotas. Now, in order to solve the problem of "parallel goods," the state has adopted the license system, and Customs have tightened control over exports.

Hsu: In the past, an average of more than 100,000 people a day came to Shenzhen from Hong Kong and from other domestic areas. Now, the number of travelers to Shenzhen has greatly decreased, hasn't it?

Zou: More than 100,000 people a day was merely a figure on holidays. Not as many people came to Shenzhen on ordinary days. (Hsu: Is it a healthy phenomenon that Shenzhen has become somewhat "desolate"?) I don't think that such a scene should have appeared in Shenzhen. The criticism of Shenzhen and the policy changes in the previous period have affected Shenzhen's prosperity. Many foreign and Hong Kong businessmen adopted a wait-and-see attitude and delayed their investment decisions. (Hsu: Another reason for the "slackness" in Shenzhen's business activities is that far fewer people dare to carry bundles of renminbi notes from other domestic areas to Shenzhen for black market transactions. Is that right?) Of course, we are trying to cut down such things as thoroughly as we can.

Why Is Shenzhen's "Second Boundary Line" Not Put Into Use?

Hsu: If the "second boundary line" between the special economic zone and the rest of the mainland were put into use as planned, would Shenzhen's business have been so slack?

Zou: This is a contradiction. Originally, our plan was to use the "second boundary line" to divide the special economic zone from other areas so that more flexible measures could be taken inside the special economic zone and its door could be open wider to the outside. With the exception of tobacco products and alcoholic drinks, all goods entering the special economic zone from Hong Kong will be exempted from customs duties. Of course, no drugs, weapons, and pornographic articles and publications will be allowed to enter Shenzhen. Border-crossing procedures for people from Hong Kong will also be simplified so as to make their travel more convenient. However, because the currency issue cannot be solved for a long time, the use of the second boundary has also been delayed. It is expected that the second boundary line will be put into use next year in view of the formulation of the general policies for the special economic zone.

Hsu: The development of Shenzhen in recent years seemed to go against the original purpose of establishing the special economic zone in some aspects. Maybe, something has to be done to create a reborn Shenzhen.

Zou: In the initial stage, we did not have a clear idea about the "special economic Zone." Through a few years' practice, we have gradually realized that a special economic zone must "rely mainly on the use of foreign funds, base the economy mainly on joint ventures and enterprises solely owned by foreign companies, orient production to exports, and regulate the economy mainly by market forces." This marks the main differences between the special economic zone and other areas of China. At the same time, the special economic zone should function as a knowledge window, a technology window, a management window, and a window for showing China's foreign policy. Premier Zhao Ziyang also added a guiding point of "two radiations" to the functions of the special economic zone; that is, it should send its products to the international market and should bring in foreign funds and advanced technology. In general, the functions of the "four-purpose window and two radiations" mean serving the country's modernization process.

Hsu: Can we reach the conclusion that Shenzhen failed to earn a handsome amount of foreign exchange for the country, but instead became a drain on the country's foreign exchange reserve? (Zou: In fact, we did not take much foreign exchange from the state.)

Zou: At present, all foreign-owned enterprises in Shenzhen export most of their products. They do not need foreign exchange subsidies from the government, but they contribute foreign exchange to the Shenzhen government every year.

We do not agree that Shenzhen has to change its economic structure. Before the establishment of the special economic zone, the annual industrial and agricultural output value of Shenzhen (or Baoan County as it was called) was merely 70 million yuan, and its economy was in a closed pattern and inwardly oriented. Since the special economic zone was established in 1980, Shenzhen's economy has gradually been turned into an outwardly oriented type and has developed markedly. Now, Shenzhen exports some $80 million worth of agricultural products each year, and 40 percent of its industrial products are exported. Of course, we have not yet attained the goal of exporting 70 to 80 percent of our industrial products, but people should notice that we exported almost nothing before the special economic zone was set up. We can only achieve the goal step by step. This is not a question of changing our existing economic pattern.

As for the question of who is making money from whom, we think that commercial activities and trade are always mutually beneficial. As a part of the Chinese mainland, Shenzhen will continue to maintain its relations in the field of commodity exchanges with other domestic areas. In these activities, it is hard to say which side will profit at the expense of the other.

These past years, Shenzhen has built some high-rise buildings on the basis of its own resources with the assistance of other areas and has constructed some shopping and cultural facilities. The purpose of these construction projects is to create a good investment environment to attract foreign investments. So they are not merely some urban public works built for the purpose of bringing about a superficially prosperous scene.

What Are the Advantages of Shenzhen?

Zho: Shenzhen has a geographical advantage that other domestic areas cannot achieve, that is its proximity to Hong Kong. So it has a favorable condition for producing and exporting such live and fresh products as milk, vegetables, eggs, pork, beef, mutton, live chickens, flowers, and plants to meet the needs of the Hong Kong market. It is certainly profitable to produce such things in Shenzhen and export them to Hong Kong.

This will be more economic than delivering pigs from Hunan to Hong Kong and shipping cattle and goats from Nei Monggol to Hong Kong. In this regard, other domestic areas cannot compete with Shenzhen in the efficiency of earning foreign exchange.

In the previous period, excessive amounts of vegetables and fish were exported to Hong Kong through Shenzhen, and this gave rise to some complaints in Hong Kong. This is a problem for which the foreign trade department should bear the main responsibility and should solve through reforming the export quota assignment system. For example, the chicken-raising industry in Shenzhen makes great profits. Before the establishment of the special economic zone, Shenzhen exported 30,000 chickens a year; now (in 1985), Shenzhen produces 10 million chickens a year, but the export quota for Shenzhen is merely 7 million. It is not so economic to export Heilongjiang's chickens as it is to export Shenzhen's chickens. Of course, if other provinces lost foreign exchange income because their export quotas are reduced, the central economic and trade authorities can transfer some of the foreign exchange earnings made by Shenzhen to their accounts to make up for their losses. Thus, all parties will benefit. Now, Shenzhen's geographical advantage has not been brought into full play. Different localities are still squeezing each other and this state of affairs is beneficial to nobody.

Hsu: You have just mentioned an important issue.

Zho: Hainan Island got into big trouble. How are things in Shenzhen? As we see, the biggest difference between Hainan and Shenzhen lies in the attitude of the governments toward speculative activities. The Hainan government committed a major mistake as it decided to participate in reselling cars. Subordinate units then followed its example. As a result, the speculative activities developed to an uncontrollable extent. On the contrary, the local government in Shenzhen has always opposed speculative activities. It has handled a number of cases in this regard. Of course, this does not mean that speculative activities have been completely stopped in Shenzhen. Speculation is a complicated social phenomenon. It is always linked with the existence of a commodity economy, and will not completely disappear because of prohibitive measures. Strict management over the markets must be exercised for a long period, and measures should always be taken to crack down on speculative activities.

Hsu: It seems that through readjustment and rectification, Shenzhen's development is basically healthy. We can reach this conclusion, can't we?